

ED COMMITTEE #1
April 9, 2007
Worksession

MEMORANDUM

April 5, 2007

TO: Education Committee

FROM: Essie McGuire, Legislative Analyst *Essie McGuire*
Chris Schunk, Council Analyst *Chris Schunk*

SUBJECT: **Montgomery County Public Schools: FY08 Operating Budget**

Today the Education Committee will discuss the Board of Education's request for funding and the County Executive's recommendation for the Montgomery County Public Schools. The following individuals will be present for the worksession: Board President Nancy Navarro and members of the Board; Superintendent of Schools Dr. Jerry Weast and members of his Executive staff; OMB Manager Beryl Feinberg and Management and Budget Specialist Charles Goldsmith.

This is the first of four scheduled Committee meetings on the MCPS Operating Budget. The tentative schedule is as follows:

April 9	Overview
April 12	Specific Budget Issues and Initiatives
April 20	MCPS Compensation and Related Issues
May 4	Deferred Items and Wrap-up

The Committee is also scheduled to meet with the Health and Human Services (HHS) Committee on April 18 to review joint items including Linkages-to-Learning, High School Wellness Center, School Health Nursing, Pre-Kindergarten Programs, Breakfast Programs, the Kennedy Cluster Project, and Public/Private Partnerships.

This packet is divided into four sections as follows:

- I. **Legal and Fiscal Context:** State and Federal law, Maintenance of Effort, Spending Affordability, and Council Role and Jurisdiction
- II. **Overview of Revenues and Expenditures** – Revenues, Expenditures, Enrollment Statistics, and Productivity Measures
- III. **Summary of Major Changes** – Board of Education's Request and County Executive's Recommendation
- IV. **Recent Funding Patterns** – Funding Requests, Totals, Reductions, and Initiatives

I. LEGAL AND FISCAL CONTEXT

STATE AND FEDERAL LAW

The State's Bridge to Excellence Act¹ adopted in May 2002 increased State aid to localities over six years and consolidated several different State aid programs into four funding streams. The new formulas distribute the majority of State aid based on student enrollments adjusted for local wealth. The four funding streams include foundation aid and three components based on the numbers of students in three categories: Limited English Proficiency; FARMs; and students with disabilities.

An additional factor in the Bridge to Excellence foundation funds is the Geographic Cost of Education Index (GCEI). Although the GCEI is included in the act, it has not been mandated or fully implemented to date. The goal of the GCEI is to recognize regional differences in the cost of educational resources and to compensate school systems accordingly.

The State Bridge to Excellence Act also requires that local public schools provide full day kindergarten for all students by September 2007; MCPS met this mandate by September 2006.

The Federal Government's No Child Left Behind Act (NCLB) adopted in January 2002 requires local school districts to meet specific standards for student achievement determined by individual states. The State Bridge to Excellence Act incorporates and is consistent with the Federal NCLB goals. By FY06, individual student tests must be administered each year in reading and math to students in grades 3 through 8. By FY08, science must also be included. This Federal law provides significant new levels of flexibility for local jurisdictions, allowing the movement of up to 50 percent of the funds in some grants to be moved to another without permission of the State or Federal agencies.²

Maintenance of Effort

The State Maintenance of Effort (MOE) law requires that each county must appropriate at least as much per pupil as it did in the previous year to receive an increase in basic State aid. MCPS calculates that the total amount required by MOE for FY08 is \$1.374 billion in local tax contribution. In FY07, the County Council approved a local contribution to the MCPS budget that was \$94.4 million higher than the minimum required by the state requirement for MOE. For FY08, the Board requested \$90 million above the Maintenance of Effort requirement.

Spending Affordability Guidelines

In December, the Council approved preliminary Spending Affordability Guidelines (SAG), with a tentative allocation to MCPS of \$1.788 billion. The Council is

¹ This information is based on the State's Legislative Handbook Series, Volume VI, 2006, Chapter 10, Education State Aid.

² The Federal government does not allow local jurisdictions to move dollars in or out of Title III funding (ESOL), and dollars can only be moved into Title I programs (for low-income children).

scheduled to review the SAG on April 17; following that action, MCPS is required to submit non-recommended reductions, if necessary, to meet the agency allocation.

STATE LAW REGARDING COUNCIL'S BUDGET AUTHORITY³

State law delineates the roles of the Board of Education, County Executive, and County Council regarding the school system. Although State law gives the Board control of "educational matters"⁴ and responsibility for "educational policy"⁵, it gives the Council overall control of spending for the school system.

State law requires the Board to submit to the Executive a proposed budget that allocates funds within 14 major categories.⁶ Within the annual budget, the Board must provide: (1) the number of full-time equivalent positions included within each major category; and (2) a description of any fund balances or other moneys held by any outside source, including an insurer, that are undesignated or unreserved and are under the direction and control of the Board.⁷ The Board's budget must include an addendum showing the estimated expenditures for special education as defined by the Financial Reporting Manual for Maryland Public Schools.⁸

The Board must provide with the annual budget the program implications of recommendations for reductions to or increases in its annual budget, at whatever different levels of funding and accompanied by whatever reasonable supporting detail an analysis, as may be specified by the County Executive and County Council.⁹ If requested by the County Executive or County Council before submission of the Board's budget, the Superintendent must provide similar information.¹⁰

State law gives the Council authority to require the Board to provide details to the service areas and activity levels in the account structure within the Financial Reporting Manual for Maryland Public Schools.¹¹

The Executive must submit a proposed budget for the school system to the Council. The Executive's budget may deny or reduce funds allocated by the Board to a major category. However, the Executive must indicate in writing which major categories have been denied in whole or reduced in part and the reasons for any denial or reduction.¹² The Council may restore any denial or reduction that the Executive makes to the Board's budget and may deny or reduce funds allocated to a major category.¹³ The

³ Senior Legislative Attorney Kathleen Boucher prepared this section.

⁴ Md. Code, Education Article, §4-101.

⁵ Md. Code, Education Article, §4-108.

⁶ Md. Code, Education Article, §4-501(a)(1) and (b).

⁷ Md. Code, Education Article, §5-101(a)(3).

⁸ Md. Code, Education Article, §5-101(d).

⁹ Md. Code, Education Article, §5-101(c).

¹⁰ Id.

¹¹ Md. Code, Education Article, §5-101(a)(2).

¹² Md. Code, Education Article, §5-102(c)(2).

¹³ Md. Code, Education Article, §5-102(c)(3) and §5-103(c).

Council also has authority to impose reasonable conditions on the use of funds if the conditions do not intrude into the Board's responsibility for setting educational policy.¹⁴

If the Council denies or reduces funds allocated by the Board to a major category, the Council must indicate in writing, within 15 days after the adoption of the budget, which major categories of the annual budget have been denied or reduced.¹⁵ Within 30 days after the adoption of the budget, the Board must submit to the Executive and Council a report indicating how the alterations to the budget will be implemented, accompanied by reasonable supporting detail and analysis.¹⁶

State law is silent as to whether the Council has authority to add funds to the Board's requested budget. In the past, when the Council desired to add funds to the Board's budget, the Council would typically give the Board an opportunity to approve the additional funds before the Council adopted the school system's final budget.

After the Council adopts the Board's final budget, Board is prohibited from moving funds between major categories without Council approval.¹⁷ However, the Board may transfer funds within a major category without Council approval if the Board notifies the Council of the transfer within 15 days after the end of the month in which the transfer is made.¹⁸ If the Council fails to take action on a written request for transfer of funds between major categories within 30 days after receipt of the request, the transfer must be treated as approved by the Council.¹⁹

If the Board takes any action that would commit the Board to spend more for the current fiscal year in any major category than the amount approved for that category in the Board's budget, the Board must submit a report to the Executive and Council within 15 days of the end of the month in which the action is taken.²⁰ The report must include a narrative explanation of the Board's action and identify any request for transfer between categories that may become necessary for the fiscal year as a result of the action.²¹

The Board may spend "nonlocal" funds received by the Board after the Council's adoption of the annual budget if the Board notifies the Council and the Council approves of the source, amount, and manner of spending of the funds.²²

¹⁴ 85 Op. Att'y Gen. (May 26, 2000).

¹⁵ Md. Code, Education Article, §5-103(c)(1).

¹⁶ Md. Code, Education Article, §5-103(c)(2).

¹⁷ Md. Code, Education Article, §5-105(a) and (b)(2).

¹⁸ Md. Code, Education Article, §5-105(b)(1).

¹⁹ Md. Code, Education Article, §5-105(b)(3).

²⁰ Md. Code, Education Article, §5-105(b)(4).

²¹ Md. Code, Education Article, §5-105(b)(5).

²² Md. Code, Education Article, §5-105(c).

II. OVERVIEW OF REVENUES AND EXPENDITURES

REVENUE SOURCES

Table 1 summarizes the Board of Education's request according to source of funds. It compares the FY07 approved budget to the FY08 request. **Please note that the revenue assumptions may change as MCPS receives final notice from both the State and the Federal governments. The table below reflects what was known at the time of the Board's submission.**

Table 1: Board of Education's Request by Revenue Source

Source	FY07 Approved		FY 08 Request		
	\$'s	% of Total	\$'s	% of Total	% Inc/Dec
County	\$1,384,725,787	74.8%	\$1,464,129,373	73.6%	5.7%
State	\$335,398,368	18.1%	\$390,354,770	19.6%	16.4%
Federal	\$65,014,851	3.5%	\$64,743,725	3.3%	-0.4%
Other Sources	\$14,305,518	0.8%	\$14,918,313	0.8%	4.3%
Enterprise	\$50,668,763	2.7%	\$52,784,219	2.7%	4.2%
Special Funds	\$1,383,000	0.1%	\$1,470,681	0.1%	6.3%
TOTAL	\$1,851,496,287	100.0%	\$1,988,401,081	100.0%	7.4%

The FY07 approved level does not include the FY07 supplemental appropriation of \$400,000 for defibrillators.

The request includes an overall increase of \$136.5 million in funding from the current budget. Of the total request, 73.6 percent would be funded with local dollars; 19.6 percent would be funded by State dollars; and 3.3 percent would be funded with Federal dollars. These percentages are consistent with the FY07 contributions from the three levels of government. The 1.2 percent decrease in the County's portion corresponds with a 1.5 percent increase in the State's portion of the total funds requested.

Highlights of the Board's request according to revenue source include the following:

Local dollars

- Of the \$136.5 million increase, the Board requested \$79.4 million in County funds. This is approximately \$7 million less than the amount of increase requested for FY07.
- **County tax-funded support would increase from \$1.385 billion in FY07 to \$1.464 billion in FY08.** The percent of County contribution is projected to decrease slightly from 74.8 percent to 73.6 percent.

State dollars

- The State revenue increase reflects the full implementation of the Thornton funding formula under the Bridge to Excellence Act, except for GCEI.
- The State's formula does not include the Geographic Cost of Education Index (GCEI), \$22.7 million. This amount was assumed in SAG. **Neither the Board nor the Executive assumed these State revenues following the Governor's indication that the GCEI would not be funded this year.**
- The Superintendent's December budget submission did include the GCEI in its revenue assumptions (as did the December SAG). The Board did not assume GCEI in its request, but assumed that the County would fund that missing revenue.
- The components of the State funds reflect the final Thornton phase-in increase and the overall demographic trends in the school system. The population specific increases account for the majority of the increase in State funding.
 - The Foundation Grant portion increased \$13.6 million or 7.5 percent.
 - Funding related to students with Limited English Proficiency increased nearly \$10 million or 34 percent.
 - Funding related to students eligible for FARMs increased \$24.4 million or 42 percent.

Federal dollars

- The request assumes essentially level Federal funding, a slight decrease of \$271,000. MCPS is concerned that the Federal funding could further decrease, and assumed this level funding to be cautious given the uncertainty.

Fiscal Indicators

The Office of Legislative Oversight (OLO) has provided updated information on its fiscal indicators related to revenue as presented in its Report 2007-5, *Key Fiscal Indicators for Montgomery County Public Schools*. The second item on today's Committee agenda is a discussion of the fiscal indicators and the update information which includes FY08 data for selected indicators, including those related to revenue. The Committee may want to refer to the packet for this item for additional data on the sources of revenue.

PROPOSED FY08 EXPENDITURES BY STATE BUDGET CATEGORY

State law requires each school system to classify school expenditures according to certain categories. This helps in part to ensure comparability in reporting among the State's schools districts and to provide internal budget consistency and integrity.

State law also requires the Council to appropriate a total amount of funds in each State category. OLO prepared a summary of the definitions of the State categories, which identifies the major elements required to be included in each. This table is reproduced at circles 1-2 for the Committee's reference.

Table 2 on the following page provides a breakdown of the Board's amended request by State budget category. The chart on circle 3 shows the percent breakdown by category since FY05. The proportions of each category within the total have remained consistent; however, it is important to bear in mind that slight percentage changes can reflect large dollar amounts given the size of some of the categories.

Highlights of the Board's request by State category indicate the following:

- **Instruction – defined by the state's financial reports as the sum of categories two through six – accounts for 62.3 percent of the requested budget.** This is a 1.1 percent decrease in proportion from FY07; overall instruction has declined slightly as a proportion of the budget from 64.5 percent in FY05. This trend reflects recent declines in enrollment.
- Most of the increase in categories that have positions is due to salary adjustments. Some of the major programmatic changes that affect the category increases are noted below.
- The most substantial percent increase (13.1 percent) is reflected in category 1, **Administration**. Of the total \$5 million increase for this category, \$1.5 million relates to the new Financial Management System. This category represents 2.2 percent of the budget overall, and has consistently since FY05.
- Category 2, **Mid-level Administration**, increases by 10.6 percent and \$12.6 million. Part of this increase (\$1.6 million) reflects the continuation of the initiative to add Elementary School Assistant Principals.
- Category 12, **Fixed Charges (employee benefits)**, increases by 10.2 percent and nearly \$38 million. Of this increase, \$16 million is to meet the GASB requirements. This category's percent share of the total budget has increased nearly 2 percent since FY05, a total dollar increase of \$107.3 million since the FY05 approved level.
- Category 6, **Special Education**, increases by 7 percent (\$16 million) to over \$243 million. Last year, the increase in special education costs rose by 7.5 percent. This category only includes the direct instructional costs of special education; it does not include employee benefits or transportation costs related to special education. When these costs are included, the total amount related to special education comes to \$356 million.
- Category 10, **Operation of Plant and Equipment**, increases by 8.2 percent and \$8.6 million. Of this increase, \$3.7 million is due to the increase in utilities. In FY07, this category increased 16.5 percent.

Table 2. Expenditure by State Budget Category (in '000s)						
Categories	FY07 Budget	FY07 Current	FY08 Requested	% of Total	Change	% Change
Instruction	\$ 55,056,095	\$ 55,135,279	\$ 55,470,049	2.8%	\$ 413,954	2.4%
2-Mid-level Administration	\$ 118,358,940	\$ 118,358,940	\$ 130,947,499	6.6%	\$ 12,588,559	10.6%
3-Instructional Salaries	\$ 763,157,963	\$ 763,068,695	\$ 809,411,304	40.7%	\$ 46,253,341	6.1%
4-Textbooks and Instructional Supplies	\$ 35,602,552	\$ 35,605,528	\$ 35,468,310	1.8%	\$ (134,242)	-0.4%
5-Other Instructional Costs	\$ 19,453,543	\$ 19,529,751	\$ 20,001,739	1.0%	\$ 548,196	2.8%
6-Special Education	\$ 227,810,034	\$ 227,747,853	\$ 243,725,009	12.3%	\$ 15,914,975	7.0%
Subtotal	\$ 1,164,383,032	\$ 1,164,310,767	\$ 1,239,553,861	62.3%	\$ 75,170,829	6.5%
School and Student Services						
7-Student Personnel Services	\$ 10,431,421	\$ 10,431,421	\$ 11,182,153	0.6%	\$ 750,732	7.2%
8-Health Services	\$ 46,138	\$ 46,138	\$ 46,138	0.0%	\$ -	0.0%
9-Student Transportation	\$ 79,785,330	\$ 79,785,330	\$ 84,701,248	4.3%	\$ 4,915,918	6.2%
10-Operation of Plant and Equipment	\$ 104,113,457	\$ 104,513,457	\$ 112,682,521	5.7%	\$ 8,569,064	8.2%
11-Maintenance of Plant	\$ 30,660,825	\$ 30,660,825	\$ 33,040,430	1.7%	\$ 2,379,605	7.8%
Subtotal	\$ 225,037,171	\$ 225,437,171	\$ 241,652,490	12.2%	\$ 16,615,319	7.4%
Other						
12-Fixed Charges	\$ 371,511,803	\$ 371,576,296	\$ 409,421,602	20.6%	\$ 37,909,799	10.2%
1-Administration	\$ 38,304,023	\$ 38,311,795	\$ 43,309,733	2.2%	\$ 5,005,710	13.1%
14-Community Services	\$ 208,495	\$ 208,495	\$ 208,495	0.0%	\$ -	0.0%
Subtotal	\$ 410,024,321	\$ 410,096,586	\$ 452,939,830	22.8%	\$ 42,915,509	10.5%
TOTAL GENERAL FUND	\$ 1,799,444,524	\$ 1,799,844,524	\$ 1,934,146,181	97.3%	\$ 134,701,657	7.5%
37-Instructional Television Special Revenue Fund	\$ 1,383,000	\$ 1,383,000	\$ 1,470,681	0.1%	\$ 87,681	6.3%
41-Adult Education Fund	\$ 2,792,452	\$ 2,792,452	\$ 2,317,953	0.1%	\$ (474,499)	-17.0%
51-Real Estate Fund	\$ 44,373,243	\$ 44,373,243	\$ 46,717,154	2.3%	\$ 2,343,911	5.3%
61-Food Services Fund	\$ 1,979,516	\$ 1,979,516	\$ 2,079,338	0.1%	\$ 99,822	5.0%
71-Field Trip Fund	\$ 1,523,552	\$ 1,523,552	\$ 1,669,774	0.1%	\$ 146,222	9.6%
81-Entrepreneurial Activities Fund	\$ 52,051,763	\$ 52,051,763	\$ 54,254,900	2.7%	\$ 2,203,137	4.2%
TOTAL SPECIAL AND ENTERPRISE FUNDS	\$ 1,851,496,287	\$ 1,851,896,287	\$ 1,988,401,081	100.0%	\$ 136,904,794	7.4%

- The real estate enterprise fund indicates a 17 percent decrease of \$474,500, primarily due to the school system reclaiming two schools that were previously rented out.

The Committee may again want to consult the OLO packet for today's agenda for updated fiscal indicator information regarding expenditures.

PROPOSED FY08 POSITIONS BY STATE BUDGET CATEGORY

Table 3 on the next page provides a breakdown of the positions in the Board's amended request by State budget category, as well as the positions in each category since FY05. Highlights include:

- The only category with a net decrease of positions for FY08 is category 3, **Instructional Salaries**. Again, this reflects the decline in enrollment. Although FY08 is the first year with a decrease since FY05, the category has seen an increase of 410 FTE since FY05.
- **Instruction**, defined by the State as categories 2-6, contains 77.6 percent of all positions requested for FY08. It also accounts for 70 percent of the overall requested net increase in FTE. The total number of FTE in these categories has increased by 1,017.1 since FY05.
- **Special Education**, category 6, reflects the largest number of additional positions, at 70.5 FTE. This primarily reflects the recommended shift to hours-based staffing and the revised plan regarding the learning centers.
- The 19.2 additional FTE in category 2, **Mid-level Administration**, includes 15 new Elementary School Assistant Principals.

ENROLLMENT STATISTICS

The Board's FY08 request is reduced by \$5.3 million from FY07 because of enrollment changes. A summary chart of projected and actual enrollment is attached on circle 4; associated cost information is detailed on circles 19-20; and enrollment trend graphs are on circles 5-9. Highlights of the enrollment changes are as follows:

- The Board estimates that **enrollment will decrease by 2,929 students (2.1 percent)** from the projected number of 139,936 students to 137,007 students. Enrollment had remained relatively stable until FY07, when actual enrollment declined by 1,589 students from FY06 actual enrollment. Projected FY08 enrollment of 137,007 is 791 students less than FY07 actual enrollment of 137,798.

Table 3. MCPS Positions by State Category FY05-08

Categories	FY05		FY06		FY07		FY08		Change FY07-08
	Budget		Budget		Budget	Current	Requ.		
Instruction									
2-Mid-level Administration	1540.1		1609.3	1669.4	1673.4	1692.6		19.2	
3-Instructional Salaries	10645.8		10860.6	11064.0	11070.2	11055.8		(14.4)	
4-Textbooks and Instructional Supplies								0.0	
5-Other Instructional Costs								0.0	
6-Special Education	2977.9	3136.5	3360.0	3362.0	3432.5			70.5	
Subtotal	15163.8	15606.4	16093.4	16105.6	16180.9			75.3	
School and Student Services									
7-Student Personnel Services	121.4	122.4	120.2	120.3	122.3			0.0	
8-Health Services								2.0	
9-Student Transportation	1688.1	1728.5	1750.3	1750.3	1751.5			0.0	
10-Operation of Plant and Equipment	1281.7	1322.5	1383.2	1390.2	1403.7			1.2	
11-Maintenance of Plant	379.5	387.0	377.0	377.0	379.0			13.5	
Subtotal	3470.7	3560.4	3630.7	3637.8	3656.5			2.0	
Other								18.7	
12-Fixed Charges								0.0	
1-Administration	329.2	343.7	360.8	363.2	374.7			0.0	
14-Community Services								11.5	
Subtotal	329.2	343.7	360.8	363.2	374.7			0.0	
TOTAL GENERAL FUND	18963.7	19510.5	20084.9	20106.6	20212.1			105.5	
37-Instructional Television Special Revenue Fund	13.5	13.5	13.5	13.5	13.5			0.0	
41-Adult Education Fund	5.6	4.6						0.0	
51-Real Estate Fund	4.0	4.0	3.5	3.5	4.0			0.5	
61-Food Services Fund	577.3	589.4	600.7	600.7	601.6			0.9	
71-Field Trip Fund	3.0	3.0	3.0	3.0	3.0			0.0	
81-Entrepreneurial Activities Fund	8.0	6.8	9.5	9.5	9.5			0.0	
TOTAL SPECIAL AND ENTERPRISE	611.4	621.3	630.2	630.2	631.6			1.4	
Total	19575.1	20131.8	20715.1	20736.8	20843.7			106.9	

- The projected number of ESOL students is expected to increase by 1,100 students in FY08, bringing the total number to 14,700. MCPS has reported that this increase is already seen in FY07, and has allocated additional resources in this year to meet the need. The increases are in elementary and middle school students; a total of 10,400 elementary students are enrolled in ESOL programs.
- The number of FARMS students in FY07 increased by 3,200 to approximately 34,000, which is 24.7 percent of total enrollment.
- Student demographics indicate that 41.2 percent are White; 22.9 percent of students are African American; 20.7 percent are Hispanic; 14.8 percent are Asian American; and 0.3 percent are Native American.

PRODUCTIVITY MEASURES

MCPS provided the attached report on productivity measures in response to a Council request of all agencies. This report, sent to the Council in September 2006, is attached on circles 56-70. **It clearly indicates a sustained focus on improving efficiency in all systems operations, a focus that has yielded specific dollar savings.** These productivity analyses are especially interesting when considered with the Program Elimination, Abandonment, and Realignment (PEAR) process as part of the budget development (detailed in Section IV of this packet).

Some of the listed productivity measures involve high level processes, such as strategic planning, continuous improvement processes aligned with the Baldrige Quality Academy model, and process analysis for key operational and support functions. The school system also uses on-line and centralized tracking processes to monitor priority areas such as professional development.

The report also details numerous processes that have been streamlined to reduce cost or allow staff to focus on high priority tasks. Some highlights include:

- Use of a copy service to reduce time of school staff spent on document preparation and increase instructional time. MCPS estimates that every 3,000 copies by the service saves one hour of staff time.
- A labor analysis of food service processes resulted in a reduction in staff in FY06 and modest increases in FY07 compared to what would have previously been requested for the level of school growth.
- Improved communication through electronic voice message delivery system and email news service.
- Reduced costs through measures such as transition to FiberNet; increased web based publications, reducing printing costs; and multi-year contracting.
- Energy conservation measures such as automatic lighting controls, thermostat calibration, and relamping.

III. SUMMARY OF MAJOR CHANGES

This section provides an overview of the Board of Education's request and the County's Executive's recommendation. MCPS provided the attached document (circles 13-35) which explains selected aspects of the budget, such as compensation, inflationary costs, and new initiatives. The Board adopted 7 amendments (detailed on circles 38-40) with a net increase of \$4,697,686 over the Superintendent's recommended budget.

BOARD OF EDUCATION'S REQUEST

The Board of Education requested \$1,988,401,081 in FY08 for the MCPS operating budget. This amount represents an increase of \$136.5 million or 7.4 percent over the FY07 approved operating budget and includes funds to reflect already negotiated agreements with the three school employee associations. Significant overview points include:

- Consistent with other years, **88 percent of the Board's request is for salaries and employee benefits, a total amount of \$1,749,330,269.**
- **Increases in employee salaries and benefits, including retirement benefits for current employees and retirees, account for approximately \$122.4 million, or 90 percent, of the requested \$136.5 million requested increase.** This benefit increase includes \$16.1 million in funds to meet the first year phase-in cost of funding the GASB disclosure standard regarding pre-funding future health and life benefits for retirees (circle 21).
- Of the total increase, the Board requested **\$79.4 million (58.1 percent) from local tax supported funds.** The total amount requested in local funds is a 5.7 percent increase over the amount of local funds approved in FY07.
- The already negotiated **agreements** with the employee associations include a 4.8 percent cost-of-living adjustment increase for MCEA members, SEIU Local 500 members, and MCAASP members and other compensation changes equivalent to .2 percent for a total of 5 percent for FY08. These increases total almost \$69.9 million, an increase of \$29.5 million over the FY07 cost (\$40.4 million). This increase includes \$7.4 million in related increases in employee benefits.
- The cost of **inflation** and other associated charges is \$12.7 million (0.7 percent). As highlighted on circles 22-23, utilities increases total nearly \$5 million, but are partially offset by \$1.2 million in savings from energy conservation for a net increase of \$3.7 million. MCPS budgeted for gasoline at \$2.50 per gallon, an increase of \$.25 per gallon over the FY07 rate of \$2.25 per gallon.

- For FY08, the Operating Budget includes \$4.8 million of **reductions and efficiencies**. All reductions to the FY07 base, including these efficiencies, lower enrollment, and elimination of one-time items relating to new schools, total \$10.8 million.
- **The average cost per student (excluding debt service and enterprise funds)** for FY08 is \$13,836, an 8.8 percent increase over the FY07 amount of \$12,718 (chart on circle 41). This amount includes only the cost of students in kindergarten through grade twelve. The Executive's figure of \$14,370 per student includes the cost of the entire budget, not just kindergarten through high school, and uses his lower budget recommendation for the calculation.
- The Board's request **adds a net of 107 full time equivalent positions** in FY08. In comparison, the FY07 request added 546 full time equivalent positions. The total number of FTE for FY08 would increase from 20,737 to 20,844.
- As seen in the chart on circle 42, the major FTE increases are in aides and assistants (25 positions) and counselors (21 positions). MCPS reports that the large increase in security (28 positions) is not due to a significant new effort but is primarily the result of a reclassification of existing positions into this category.
- The total FTE reflects a decrease in classroom teachers (14.7 positions) as a result of lower enrollment.
- **The Board's amendments total nearly \$4.7 million** and include funds for:
 - Higher enrollment projections for English for Speakers of Other Languages (ESOL) students
 - Revised special education plan to phase out the secondary learning centers
 - Research component of an initiative in the Kennedy Cluster to improve the performance of African-American students
 - High school graduation ceremonies
 - Activity buses for high schools
 - A staff assistant position (program and finance) at the office of the Board of Education
 - Junior Varsity high school lacrosse program and middle school extracurricular activities (revenue neutral)

OVERVIEW OF REQUESTED INITIATIVES

Improvement initiatives account for approximately \$12.1 million of the requested budget, including 128.9 positions; the full list is attached on circles 24-26. Highlights include:

- ***Middle School Reform:*** The Board requested \$2.5 million to begin a three year, \$10 million effort to improve middle school curriculum and teaching.

- ***Additional Counselors:*** Three new funding items provide additional counseling hours: \$1.26 million for middle school counselors; \$305,000 for high school counselors; and \$84,255 for additional planning time for high school resource counselors.
- ***Elementary School Assistant Principals:*** The Board requested \$1.6 million to continue the recent initiative to add an assistant principal at all elementary schools. This request would add 15, for a total of 110 out of all 130 elementary schools.
- ***Hours-Based Staffing:*** This request for \$1.8 million would expand hours-based staffing for special education services to 10 additional middle schools.

The Committee will review the improvement initiatives and other budgeted offices and programs more fully during its second worksession on April 12; additional budget and programmatic detail will be included in the packet for that worksession.

COUNTY EXECUTIVE'S RECOMMENDATION

For FY08, the County Executive recommended total funding for MCPS of \$1968.8 million, a 6.3 percent increase over the approved FY07 level of \$1851.5 million. This recommended level is \$19.649 million less than the Board's \$1,988.4 million request. In his March 13 Recommended Operating Budget document, the Executive did not indicate specific programs or budget components to be reduced in order to deliver educational services within his allotted recommended budget. His recommendation assumes that the State will not provide funding for the Geographic Cost of Education Index (\$22.7 million).

SECTION IV: RECENT FUNDING PATTERNS

This section discusses select patterns in recent years regarding the overall level of funding for MCPS, reductions that have been made by both the Council and MCPS, and recent initiatives that have been funded as additions to the base budget. Council staff provides this information as context for the Committee's upcoming discussions regarding overall funding level and specific programs and initiatives that have been requested for FY08. This may be useful as the Committee weighs its final decisions regarding how to balance MCPS's funding with the County Executive's recommendations, the Spending Affordability Guidelines, and other priorities that Councilmembers have for MCPS and other agencies and departments Countywide.

MCPS BUDGET REQUESTS AND FINAL FUNDING

The chart attached on circle 43, prepared by the Office of Management and Budget (OMB), shows the history of MCPS funding beginning in FY95 detailed by Board Request, County Executive Recommendation, and final Council funding. The chart shows that the MCPS budget has grown by approximately \$1 billion during this 13 year period, an increase of 123 percent.

Council staff understands that in comparing the Board's request with the Executive recommendation, the chart does not reflect all the amendments that occur during the budget process; however, the approved numbers reflect final action and the overall trends are useful. For example, in FY05 and FY06 the Board proposed amendments to its original request, and the action on these amendments is reflected in the final approved total. In addition, many of the changes that occur during the process reflect grant activity, both increases and decreases to outside revenues. This will be an issue again this year for FY08 as the Committee will receive information about State and Federal funds during its deliberations.

The pattern shows that MCPS has received between 98.3 percent and 101 percent of its requested funding in each year, receiving 100 percent or more in three years (FY03, FY05, and FY07) and less than 100 percent in ten years. MCPS received more than its original request in one year (FY05), and in only one year did the Council fund less than the Executive recommended (FY06). The largest percent increase occurred in FY01, at 10 percent; the lowest increases occurred in FY97 and FY98 with roughly 4 percent increases. Since FY03, the Council has approved increases ranging between 6.1 and 8 percent.

COUNCIL CHANGES

As is clear from the funding chart discussed above, each year the Council has made adjustments to the Board's request to achieve its priorities and meet spending guidelines. In general, the Council has not made extensive reductions or additions. In the past four years there have been two major reductions, related to the wage adjustment and enrollment, and one major addition for the pension plan adjustment. Even these

actions, however, were not of the same magnitude as the reduction recommended by the Executive for FY08. Council staff summarizes below the major changes the Council made in recent years.

In *FY07*, the Council primarily added funds, including \$13.2 million for pension adjustments. The Council also took a \$1.5 million reduction in lapse and turnover savings.

In *FY06*, the Council took significant savings, assisted by an unexpected enrollment adjustment that allowed a \$3.8 million reduction due to a late re-estimate. In addition, the Council took savings in lapse (\$200,000), staff development (\$200,000), and instructional materials (\$417,000). The Council also saved \$942,000 by slowing down implementation of proposed new initiatives.

In *FY05*, the Council took savings of \$2.4 million due to lower than projected enrollment in ESOL and Special Education programs.

In *FY04*, the Council delayed implementation of the general wage adjustments for all County agencies for four months. For the schools, this resulted in a savings of \$14.3 million.

MCPS REDUCTIONS

Each year, the budget development process for MCPS includes the Program Efficiency, Abandonment, and Redirection (PEAR) process. MCPS describes this process as “a comprehensive effort to identify potential program reductions and efficiencies”.

The results of the FY08 PEAR reduction process are attached on circles 29-31; **MCPS states that the FY08 operating budget reflects \$4.8 million in reductions and efficiencies to programs.** The total reductions to the FY07 base for the FY08 request total \$10.7 million; this higher total includes reductions as a result of enrollment (\$5.3 million) and new schools (\$0.7 million). MCPS does not include these reductions as efficiencies, as they do not change program operations but reflect fluctuations in the same program areas.

For the Committee’s review, Council staff has compiled the results of the PEAR reduction process from FY05 through the present. The information below presents summary highlights and is based on MCPS’ identification of PEAR reductions in each year. The full detailed listing for each year is attached as indicated.

It is informative to see where and how MCPS has identified resources to redirect its priorities. Many of the reductions highlighted below were to realign how staff were allocated to fill high priority functions within the same or related areas. Significant savings are achieved each year through reductions in office processes or supplies. Inflationary adjustments in textbooks and other instructional materials were mitigated through targeted reductions each year.

FY08: Total reductions: \$4.8 million, 1 FTE (detail on circles 29-31)

It appears that just over \$1 million of the reductions were taken in a variety of office reductions, such as materials, contractual services, part-time salaries, consultants, travel, and supplies. An additional \$792,000 was taken as efficiencies in textbooks and instructional materials to reduce the impact of the inflationary adjustment. The primary programmatic reductions include:

- New teacher induction, \$200,000
- Skillful Teacher Project, \$300,000
- Other staff development reductions, such as reduced stipend costs, \$600,000
- Utilities and conservation measures, \$1.24 million
- University partnerships, \$400,000
- Eliminate Loss Prevention Study, \$200,000

FY07: Total reductions: \$6 million, 35 FTE (detail on circles 44-48)

Approximately \$543,000 of the reductions were taken in a variety of office reductions, such as materials, contractual services, part-time salaries, consultants, travel, and supplies. An additional \$741,441 was taken as efficiencies in textbooks and instructional materials to reduce the impact of the inflationary adjustment, and \$243,000 was saved by absorbing the duties of one department into another. The primary programmatic reductions include:

- Special Education realignment, \$1.8 million. Of this, \$600,000 was realigned to support the assistant principals initiatives, and other reductions reflected reduced enrollment and need in specific programs.
- Staff Development reductions of \$650,000
- University Partnerships, \$250,000
- Reduction of maintenance positions to eliminate discretionary minor construction projects, \$968,000

FY06: MCPS reports that no PEAR reductions were taken in this year, but notes that the Council took significant savings, as outlined above.

FY05: Total reductions: \$4.4 million, 55 FTE (detail on circles 49-55)

Approximately \$1.15 million of the reductions in this year were due to efficiencies such as eliminating or restructuring administrative functions and positions, delay in school furniture replacement, contractual savings, materials, and consultants. A total of \$446,000 was taken as a reduction in instructional materials. Employee benefits associated with all the position realignments accounted for \$521,000 of the reductions. The primary programmatic reductions include:

- Reduction to high school staff development teachers, \$256,000
- Reduction to consulting teachers, \$756,484
- Reduction to staff development projects, \$158,324
- Reallocate \$512,000 math support teachers to staff development for math teachers
- Realign Mainstreaming Support Teachers to higher priorities in the special education staffing plan, \$655,000
- Reduction to literacy partnership with Montgomery College, \$491,500

RECENT INITIATIVES

Table 4 on the following page illustrates the primary areas in which the Board and the Council have invested additional funds for improvement initiatives in recent years. This table uses MCPS initiative tracking data. The OLO report on fiscal indicators also includes a chart tracking the cumulative cost of three initiatives; this chart has been updated in the packet for the second agenda item today.

Table 4 shows the new dollars added each year for the initiatives, with a total of additional funds invested to date; it does not show how this additional cost is integrated into the full base program amount. It also does not attempt to show every initiative or funding increase, but highlights major areas of investment. Council staff notes the following:

- The largest area of investment is the class size reduction initiative, at a cumulative total of \$25 million since FY01.
- The initiative labeled “Early Success” includes funds for full-day Kindergarten, a State mandate which the County met one year earlier than required.
- There were no new funds for initiatives in FY04.
- The primary requests for new initiatives in FY08 are to begin Middle School Reform (\$2.5 million), expand Hours-Based Staffing (\$1.8 million), and continue Elementary School Assistant Principals (\$1.6 million). Other FY08 funds for the initiatives shown here are primarily to sustain current efforts.

Table 4. Cost of Selected MCPS Improvement Initiatives FY01-FY08 (in 000's)

	FY01	FY02	FY03	FY04*	FY05	FY06	FY07	FY08	Total FY01-08
Early Success	\$ 1,821	\$ 3,186	\$ 6,087	0	\$ 4,420	\$ 2,557	\$ 3,038	0	\$ 21,109
Class Size Reduction	\$ 883	\$ 5,887	0	0	\$ 7,497	\$ 9,484	\$ 1,624	\$ 174	\$ 25,549
Special Education	\$ 128	\$ 410	\$ 708	0	\$ 2,931	\$ 2,989	\$ 3,766	\$ 87	\$ 11,019
ESOL Services	0	\$ 363	\$ 1,066	0	0	0	\$ 345	\$ 155	\$ 1,929
Counseling and Mental Health	0	\$ 1,021	\$ 70	0	0	0	0	\$ 1,648	\$ 2,739
High School Reform	\$ 203	\$ 326	0	0	\$ 1,020	\$ 810	\$ 2,600	\$ 546	\$ 5,505
Curriculum and Instruction	0	0	0	0	\$ 6,819	\$ 540	0	\$ 648	\$ 8,007
Shared Accountability	0	0	0	0	\$ 430	\$ 2,175	\$ 118	0	\$ 2,723
Technology	\$ 609	\$ 1,471	\$ 437	0	0	\$ 400	\$ 711	\$ 226	\$ 3,854
Staff Development	\$ 10,908	\$ 3,592	\$ 2,483	0	\$ 180	\$ 282	\$ 174	\$ 196	\$ 17,815
Middle School Reform	0	0	0	0	0	0	0	\$ 2,500	\$ 2,500
Middle School Ext. Year/Day	0	0	0	0	0	\$ 1,064	\$ 250	0	\$ 1,314
Ass't Principals in ES	0	0	0	0	0	\$ 1,225	\$ 1,577	\$ 1,583	\$ 4,385

* There were no initiatives proposed in FY04

** This total does not include 3 assistant principals that were added in prior years

Overview of the State Budget Categories

The table below summarizes the major expenses included in each State budget category, as set forth in the Maryland State Department of Education's *Financial Reporting Manual for Maryland Public Schools*.

Table 10: State Budget Category Definitions

State Budget Category		Major Expenses
1	Administration	<p>Salaries and operating expenses for:</p> <ul style="list-style-type: none"> • General Support Services (e.g. Board of Education and Executive Administration) • Business Support Services (e.g. Fiscal Services, Purchasing Services; Printing, Publishing, and Duplicating Services) • Centralized Support Services (e.g. Planning, Research, Development, and Evaluation Studies; Information Services, Human Resources Services; and Data Processing Services)
2	Mid-level Administration	<p>Salaries and operating expenses associated with Instructional Programs (see Category 3) including:</p> <ul style="list-style-type: none"> • Salaries for principals, assistant principals, secretaries and other school-based administrative staff in the Office of the Principal • Instructional Administration and Supervision, such as curriculum development and audiovisual services
3	Instructional Salaries	<p>Salaries of teachers, instructors, aides, librarians, guidance counselors, school psychologists, and others who work in Instructional Programs such as:</p> <ul style="list-style-type: none"> • Regular Programs (e.g. art, driver education and safety, mathematics, and science) • Special Programs (e.g. Gifted and Talented Programs and ESOL) • Career and Technology Programs • Staff Development
4	Textbooks and Instructional Supplies	Textbooks and supplies for all Instructional Programs that are not Special Education related
5	Other Instructional Costs	Contracted services, travel, equipment, and fund transfers associated with Instructional Programs
6	Special Education	<p>Salaries and operating expenses directly associated with special education including:</p> <ul style="list-style-type: none"> • Public, state, and non-public school instructional programs • Staff development, school-based administration (e.g. principals, assistant principals, clerical staff), and curriculum development

Category A – Revenues and Expenditures

Table 10: State Budget Category Definitions (continued)

	State Budget Category	Major Expenses
7	Student Personnel Services	Salaries and operating expenses for school social workers and pupil personnel workers, whose activities include improving student attendance and providing casework services
8	Health Services	Salaries and operating expenses for school-based physical and mental health service providers. (In Montgomery County, the Department of Health and Human Services funds the majority of Health Services expenses.)
9	Student Transportation	Salaries and operating expenses (e.g. vehicle maintenance and fuel) to provide transportation for general and special education students, as well as student transportation for activities such as field trips, sports, and summer programs
10	Operation of Plant	Salaries and operating expenses for: <ul style="list-style-type: none"> • Warehousing and Distributing Services (e.g. storing and distributing supplies, furniture, equipment, and mail) • Operating Services (e.g. utilities and insurance) • Supervision of Operation and Plant Services • Care and Upkeep of Grounds and Buildings (e.g. landscaping, maintenance of movable equipment, and custodial services) • Security Services (e.g. police services, traffic control)
11	Maintenance of Plant	Salaries and operating expenses for: <ul style="list-style-type: none"> • Supervision of Maintenance of Plant Services (e.g. salaries) • Upkeep of Grounds, Buildings, and Fixed Equipment (e.g. equipment maintenance and repair and meeting code requirements) • Vehicle Maintenance Services (only vehicles not used for student transportation)
12	Fixed Charges	Costs “not readily allocable to other expenditure categories” including: <ul style="list-style-type: none"> • Health insurance and benefits for active and retired employees • Loan interest • Tuition reimbursement for staff
14	Community Services	Salaries and operating expenses for: <ul style="list-style-type: none"> • Regular Community Services (e.g. community recreation, child care) • Non-Public, Non-Disabled, Student Transportation Services • Community Transportation Services

Percentage of Total Budget Request by State Categories FY05-FY08					
Categories	FY05 Approved % of Total	FY06 Approved % of Total	FY07 Approved % of Total	FY08 Requested % of Total	
Instruction					
2-Mid-level Administration	6.3%	6.3%	6.4%	6.6%	
3-Instructional Salaries	43.1%	42.0%	41.2%	40.7%	
4,5-Textbooks, other Instructional Costs	2.7%	3.0%	3.0%	2.8%	
6-Special Education	12.4%	12.3%	12.3%	12.3%	
Subtotal	64.5%	64.0%	62.9%	62.3%	
School and Student Services					
7-Student Personnel Services	0.6%	0.5%	0.6%	0.6%	
8-Health Services	0.0%	0.0%	0.0%	0.0%	
9-Student Transportation	4.2%	4.3%	4.3%	4.3%	
10-Operation of Plant and Equipment	5.2%	5.3%	5.6%	5.7%	
11-Maintenance of Plant	1.7%	1.7%	1.7%	1.7%	
Subtotal	11.7%	11.8%	12.2%	12.2%	
Other					
12-Fixed Charges	18.8%	19.2%	20.1%	20.6%	
1-Administration	2.0%	2.0%	2.1%	2.2%	
14-Community Services	0.0%	0.0%	0.0%	0.0%	
Subtotal	20.8%	21.2%	22.1%	22.8%	
TOTAL GENERAL FUND	96.9%	97.0%	97.2%	97.3%	
37-Instructional Television Special Revenue Fund	0.1%	0.1%	0.1%	0.1%	
41,51-Adult Ed./Real Estate Fund	0.3%	0.3%	0.2%	0.1%	
61-Food Services Fund	2.5%	2.4%	2.4%	2.3%	
71-Field Trip Fund	0.1%	0.1%	0.1%	0.1%	
81-Entrepreneurial Activities Fund	0.1%	0.1%	0.1%	0.1%	
TOTAL SPECIAL AND ENTERPRISE FUNDS	3.1%	3.0%	2.8%	2.7%	
Total	100.0%	100.0%	100.0%	100.0%	

TABLE 4
SUMMARY OF STUDENT ENROLLMENT - FY 2005 THROUGH FY 2008

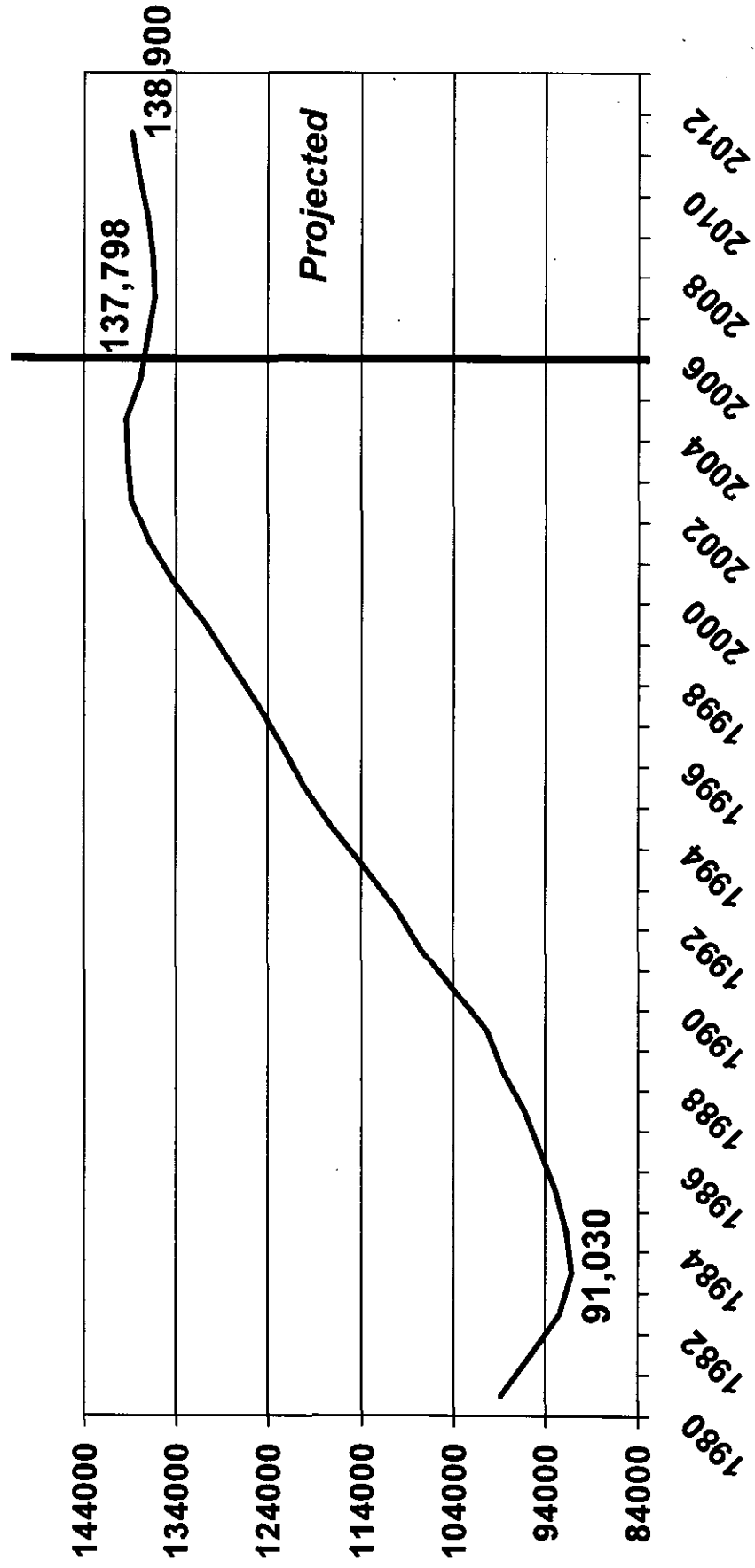
DESCRIPTION	(1) FY 2005 ACTUAL 9/30/2004	(2) FY 2006 ACTUAL 9/30/2005	(3) FY 2007 ACTUAL 9/30/2006	(4) FY 2007 PROJECTED 9/30/2006	(5) FY 2008 PROJECTED 9/30/2006	CHANGE COLUMN (5) LESS COLUMN (4)	
						#	%
REGULAR INSTRUCTION							
PRE-KINDERGARTEN	1,842	1,818	1,828	1,925	1,925		
HEAD START	584	584	584	584	584		
KINDERGARTEN	8,875	9,101	8,951	9,400	9,400		
GRADES 1-6 (a)	48,745	48,165	47,122	47,681	46,572	(1,109)	(2.3)
SUBTOTAL ELEMENTARY	60,046	59,668	58,485	59,590	58,481	(1,109)	(1.9)
GRADES 6-8	29,232	28,927	28,556	28,823	28,220	(603)	(2.1)
SUBTOTAL MIDDLE	29,232	28,927	28,556	28,823	28,220	(603)	(2.1)
GRADES 9-12	41,323	41,849	41,470	41,780	40,646	(1,134)	(2.7)
SUBTOTAL HIGH	41,323	41,849	41,470	41,780	40,646	(1,134)	(2.7)
SUBTOTAL REGULAR	130,601	130,444	128,511	130,193	127,347	(2,846)	(2.2)
SPECIAL EDUCATION							
SPECIAL CLASSES:							
ELEMENTARY SCHOOLS	2,647	2,681	2,742	2,893	2,739	(154)	(5.7)
MIDDLE SCHOOLS	2,428	2,452	2,493	2,401	2,037	(364)	(14.8)
HIGH SCHOOLS	2,720	2,856	3,069	3,124	3,586	462	16.2
SPECIAL SCHOOLS	725	656	584	749	733	(16)	(2.4)
SUBTOTAL SPECIAL EDUCATION	8,520	8,645	8,888	9,167	9,095	(72)	(0.8)
ALTERNATIVE PROGRAMS	216	175	203	300	300		
GATEWAY TO COLLEGE (b)		123	196	276	265	(11)	(8.9)
GRAND TOTAL	139,337	139,387	137,798	139,936	137,007	(2,929)	(2.1)

SOURCE: Projected enrollment by the Department of Planning and Capital Programming.

(a) 6th grade enrollment at elementary schools of Chevy Chase ES and North Chevy Chase ES is included.

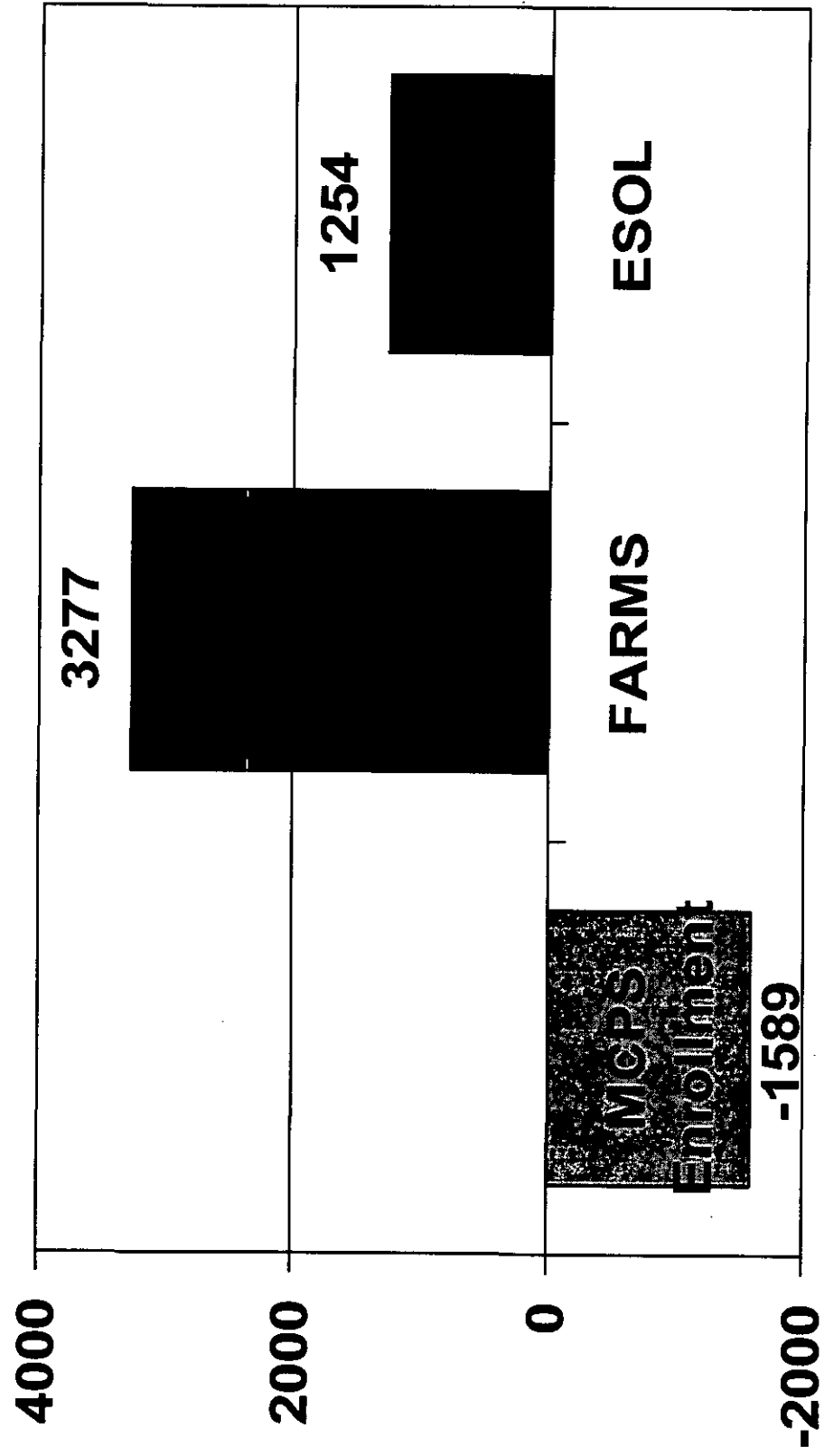
(b) Gateway to College program begins with school year 2005 - 06.

MCPS Actual and Projected Enrollment

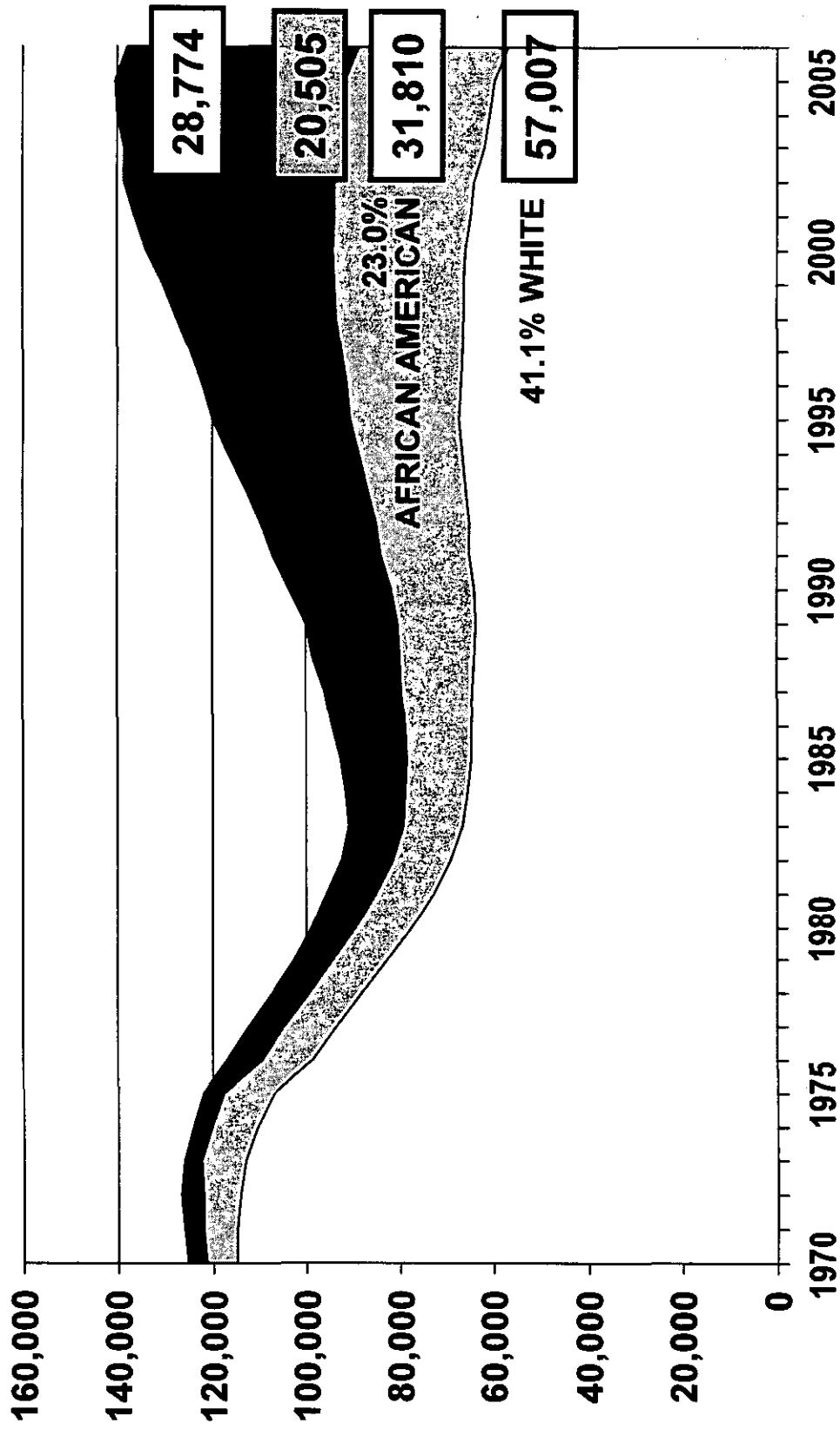


Change in Enrollment

FY 2006 to FY 2007

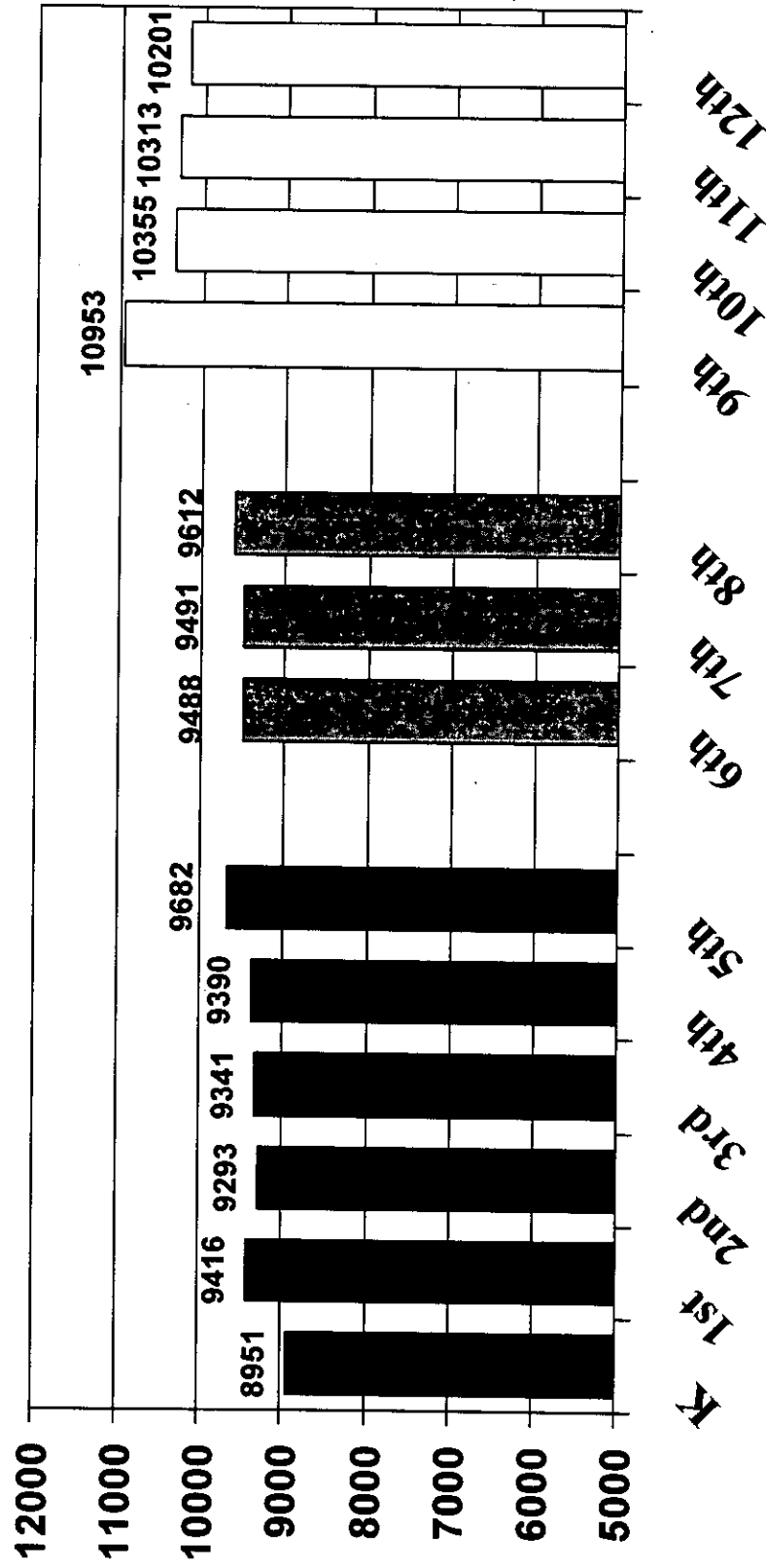


MCPS Enrollment by Racial/Ethnic Group, 1970 – 2006

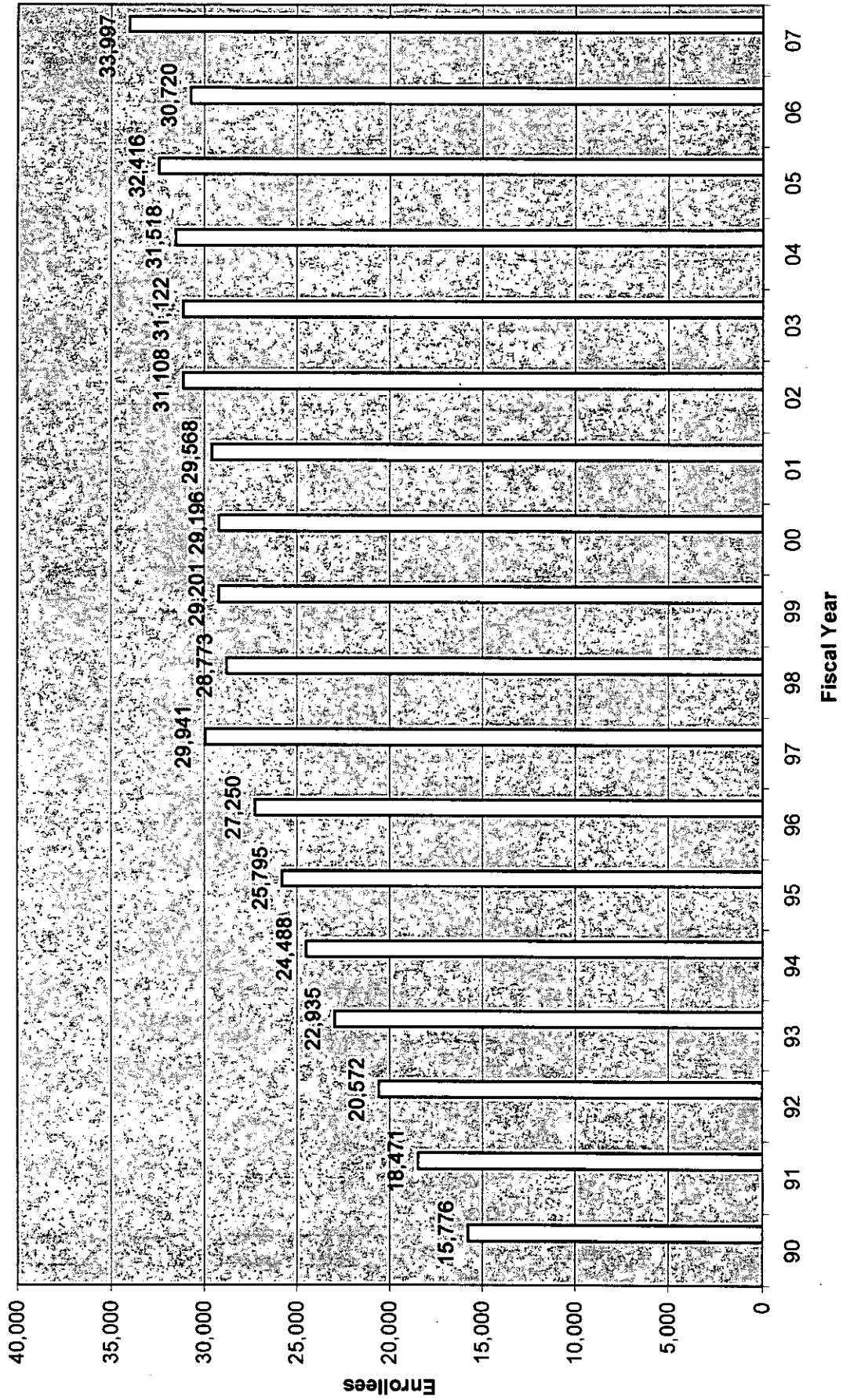


MCPS Enrollment by Grade

September 30, 2006



MCPS FARMS Program Enrollment: FY 1990-2007



Letter from the Board of Education

March 1, 2007

The Honorable Isiah Leggett, County Executive
The Honorable Marilyn Praisner, President,
and Members of the County Council
Montgomery County Government
Rockville, Maryland 20850

Dear Mr. Leggett, Mrs. Praisner, and Council Members:

On behalf of the Montgomery County Board of Education, I am transmitting the Fiscal Year 2008 Operating Budget for the Montgomery County Public Schools (MCPS). This budget builds on the many academic successes our students have achieved over the last seven years and provides the necessary resources to enable even more students to achieve academic success.

The \$1.988 billion FY 2008 Operating Budget includes an increase of \$136.5 million over the FY 2007 budget, a 7.4 percent increase. It funds a new salary agreement with our employee associations and includes targeted investments to continue efforts to reform and improve middle school, strengthen special education, improve high schools, add more counselors, expand the Poolesville High School whole-school magnet program, add elementary assistant principals, and increase foreign language translation services.

The vast majority of our budget pays for the talented and dedicated women and men who devote their lives to educating the young people of this community. The Board is proud of the strong positive relationship we have with employees and their associations, and we fully support the funding of the new three-year negotiated agreements. The new agreements include salary increases of 4.8 percent in FY 2008, 5 percent in FY 2009, and 5.3 percent in FY 2010. The cost of the FY 2008 increase totals \$69.9 million.

We work diligently to ensure that our dollars are spent wisely and effectively. The FY 2008 budget devotes 80 cents of every dollar to instructional programs and central administrative costs remain among the lowest in the state for any school district at 2 percent. Clearly, we believe the academic success of our students is a direct result of our community's investments over the last seven years. Consider these facts:

- The Class of 2006 set numerous historic highs in participation and performance in Advanced Placement (AP) courses. The Class of 2006 broke the previous AP record set by the Class of 2005, with 56 percent of the class taking at least one AP exam and 45 percent scoring well enough to earn college credit.
- The performance of the Class of 2006 on AP exams was three times higher than the national average for 2006 graduates and twice as high as the average for graduating seniors in Maryland.
- *Newsweek* magazine once again ranked all 23 eligible high schools in the top 3 percent in the nation, including 5 in the top 100.
- 88 percent of kindergartners are reading simple text, and there is no achievement gap in reading between White students and their African American and Hispanic peers.
- 46 percent of fifth graders are taking sixth grade math, compared with 2 percent six years ago.

The FY 2008 budget reflects significant community input. We held two community meetings in the fall and offered the community numerous other opportunities to comment on the budget as staff worked to prepare the budget documents. The Board and the superintendent are committed to continuing efforts to involve the community in the budget process.

This budget includes five amendments brought forward by Superintendent of Schools Jerry D. Weast after his initial budget was sent to the Board of Education in December. To pay for unexpected growth in the English for Speakers of Other Languages (ESOL) program, Dr. Weast added \$1.7 million to his recommended budget.

The superintendent also proposed budget amendments to pay facility costs associated with graduation venues for MCPS' high schools and to pay for transportation costs connected to the extended-day program at Poolesville High School and High School Plus programs.

The budget also includes \$150,000 to work with the County Council and the county executive's staff on an initiative in the John F. Kennedy cluster to improve the achievement of African American students.

The Board also added funding for junior varsity lacrosse and additional middle school extracurricular activities by increasing the student parking fee and the student activity fee. In addition, the Board is adding a program and fiscal assistant to its staff.

In special education, the budget will fund the implementation of a new staffing model that apportions staff to schools based on the intensity of services students receive. This model, called hours-based staffing, will expand from two to 12 middle schools this year and is expected to increase student performance. In addition, the budget includes a five-point special education reform plan that is designed to improve the academic performance of students with disabilities, increase the number of students with disabilities educated in the least restrictive environment, and address the overrepresentation of African American and Hispanic students in secondary learning centers. Ultimately, the plan will phase out the secondary learning centers where student performance has lagged behind the performance of students with disabilities who are not educated in these centers.

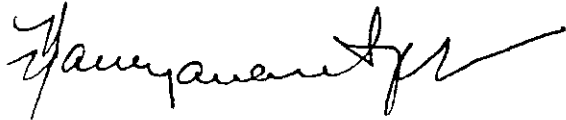
It is important to point out that all students currently in secondary learning centers will have the option of remaining there through graduation. Approximately 45 rising Grade 6 students who might be candidates for the secondary learning centers will receive special education services in their home or consortia schools, according to their Individualized Education Programs (IEPs). These students will be monitored carefully to ensure that they are progressing in accordance with their IEPs. The budget includes \$1.8 million in additional resources to continue the operation of the learning centers and provide for mandatory staff training to ensure a smooth transition of students from the learning center environment to their home or consortia school.

The additional FY 2008 investments will be targeted to:

- Begin the first phase of a comprehensive, \$10 million three-year plan to reform middle schools.
- Increase supports in high schools to support High School Assessment proficiency.
- Expand online courses for high school students.
- Expand the Poolesville High School magnet program.
- Add 15 elementary assistant principals.
- Add 14 elementary instructional data assistants.
- Add staff for elementary art, music, and PE classes.
- Provide more team leaders in elementary school.
- Develop a pilot program to help ESOL high school students with interrupted education.
- Increase translation services to families with limited English skills.
- Provide training and tools for support professionals.

Together, all of these investments will enable us to continue the exceptional progress we have made together over the last seven years and focus even more intently on our efforts to close the achievement gap and raise academic achievement for all students. The Board looks forward to working with County Executive Leggett and with the County Council as you begin your budget deliberations for the FY 2008 budget. As always, we stand ready to assist in any way possible as we all work together for the benefit of our students in Montgomery County.

Sincerely,
Nancy Navarro



President

December 13, 2006

Members of the Board of Education
Montgomery County Public Schools
850 Hungerford Drive
Rockville, Maryland 20850

Dear Members of the Board of Education:

The Board of Education set a clear course for the Montgomery County Public Schools (MCPS) seven years ago as we embarked on an ambitious mission to reform education at all levels. In close collaboration with our three employee associations, our parents, and the community at large, we have created a school system that delivers outstanding results for its students every day.

The MCPS operating budget has been carefully crafted to boost academic achievement for all children and is aligned with our strategic plan, *Our Call to Action: Pursuit of Excellence*. Our previous investments have enabled us to strengthen our curriculum, reduce class size, provide full-day kindergarten, improve staff training, and focus initiatives on overcoming the achievement gap among student groups. The reform efforts have produced extraordinary results:

- 88 percent of kindergartners are reading simple text compared with 39 percent five years ago. We have eliminated the achievement gap between White kindergarten students and their African American and Hispanic peers.
- 46 percent of the fifth grade class is taking sixth grade math compared with 2 percent in 2001.
- 69 percent of all high school students are enrolled in at least one Honors or Advanced Placement (AP) course.
- The success of our students in AP is unparalleled. Our students significantly outperform the nation and the state for every racial and ethnic group.
- For the second year in a row, all of our eligible high schools have been ranked in the top 3 percent in the nation by *Newsweek* magazine, with five high schools ranked in the top 100.


We are recommending an increase of 7.1 percent to continue this progress and that includes a 4 percent increase from local taxpayers. The 7.1 percent increase comprises 3.8 percent for negotiated salary increases; 1.4 percent for salary increments; 1.4 percent for employee benefits, including for retirees; and 0.5 percent for all other changes including inflation, initiatives, and utilities. The FY 2008 budget totals \$1.98 billion, an increase of \$132 million. When \$16.1 million required to pre-fund retiree health benefits mandated by new rules is excluded, the total budget will increase \$116.1 million, 6.3 percent above FY 2007.

This budget includes negotiated salary increases for our employees of 4.8 percent. It also includes about \$9.6 million in additional resources to fund our middle school initiative and to improve elementary and high school programs. We will continue efforts to improve special education with innovative approaches to serve more children in the general education classrooms in their home school environment.

Even as we contend with rising health care and utilities costs, we continue to have among the lowest central administrative expenses of any school system in Maryland at 2 percent. That allows us to devote 80 cents of every dollar to instructional programs.

Our success over the past seven years is a direct result of the able leadership of the Board, along with consistent support from the county executive and the County Council. Together, I know that we will continue our progress with the investments included in the FY 2008 budget.

Respectfully,



Jerry D. Weast, Ed.D.
Superintendent of Schools

Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Audits

The Montgomery County Public Schools (MCPS) receives many regular financial and operational audits. These audits ensure financial and operational accountability to the public. Below are details of some of the regular audits.

- State of Maryland law, Section 5-109 of the Education Article, requires all school districts to commission an annual external audit of financial transactions by an independent certified public accountant. MCPS uses the firm of Clifton and Gunderson (CG). Neither CG nor its predecessors have identified any material weaknesses or noncompliance with internal controls.
- MCPS issues an annual financial report, the Comprehensive Annual Financial Report (CAFR). This report has received an Excellence in Financial Reporting Award from the Government Financial Officers Association (GFOA).
- Board of Education Policy DAA, Fiscal Responsibility and Control, requires the superintendent of schools to maintain strict financial controls consistent with state law and the county charter.
- The Board of Education Audit Committee meets regularly with staff to review audit findings and to provide financial oversight. The Audit Committee reviews the reports of the system's actuary and external auditor.
- The Maryland State Department of Education (MSDE) and the state Office of Legislative Oversight (OLA) review MCPS activities and financial reports. MSDE audits a variety of issues, including enrollment, program administration, special education, teacher certification, criminal background checks of teachers, and grants monitoring.
- Under Senate Bill 894, OLA will conduct a comprehensive financial and operational audit of all state school systems according to a six-year schedule. No date has been announced for the MCPS audit.
- The federal government regularly provides mandated A-133 single audits of federal grant programs. The frequency of these audits has greatly increased in recent years. Federal audit results of MCPS grants have not included any material adverse findings.
- The State Interagency Committee on School Construction (IAC) annually audits the use of state construction funds. None of their audit notes contained any material findings.

- The county Office of Legislative Oversight (OLO) has conducted comprehensive budget reviews of MCPS programs, including student transportation, special education, and staff development. OLO has recently added an analyst dedicated to MCPS issues and has conducted a review of fiscal indicators of performance.
- The MCPS Internal Audit Unit conducts financial and program audits of MCPS program as well as school independent activity funds (OAF). This unit also monitors the external audit contract and has responsibility for assuring implementation of external audit recommendations.

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Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Budget Transparency

Montgomery County Public Schools publishes and posts on its Web site a variety of publications that involve different ways of looking at the operating budget. Together, these documents enable citizens to understand how MCPS resources are used and what is recommended in the operating budget. MCPS is continually trying to improve the transparency of these budget documents. Below are details of the information available on the MCPS Operating Budget.

- *Call to Action: Pursuit of Excellence* – The MCPS strategic plan, approved by the Board of Education, includes detailed multi-year strategies and initiatives implemented through the operating budget.
- *Program Budget* – The Program Budget summarizes the operating budget in more than 100 major programs across departments and offices. This year, the Program Budget references strategies and initiatives in the strategic plan and ensures that all strategies and initiatives are identified by program. The Program Budget should increasingly become a principal vehicle for making resource allocation decisions.
- *Recommended Operating Budget* – The Superintendent's Recommended Operating Budget, often called the management budget, shows budget resources by office, department and other units. The Program Budget includes references to the units that carry out each program. The management budget describes in detail the work of each unit, shows all budget changes, and includes performance measures for each operating unit. The management budget also includes a glossary of budget terms, an index of all items, and a section describing how to understand the budget.
- *Citizens Budget*—The Citizens Budget describes major budget issues in brief as an introduction to the operating budget. It includes details of major proposals included in the recommended budget. It also includes important summary statistical information about the operating budget.
- *Personnel Complement* – The Personnel Complement includes a detailed listing of all positions requested in the budget. Both the Program Budget and the Recommended Operating Budget include personnel complements organized by program and unit respectively.

- *Budgeted Staffing Guidelines* – The Program Budget and the Recommended Operating Budget include budgeted staffing guidelines for regular education and special education. These guidelines govern the allocation of personnel resources by school and special education disability.
- *Schools-at-A-Glance* – The *Schools at a Glance* annual publication shows a variety of information for each school, including programs from the Program Budget that are implemented at each school and personnel and expenditures budgeted for each school. A separate document, *Special Education at a Glance*, is published to show special education resources at each school.

All of these publications are available on the MCPS Web site.

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Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Continuing Salaries

Continuing salaries will increase the FY 2008 Operating Budget by \$25,655,587. Below are details of the reasons for the increase.

Continuing Salaries

Changes in employee salaries are determined by negotiated agreements with three employee organizations:

- ☐ Montgomery County Education Association (MCEA) representing teachers and other professional employees
 - ☐ SEIU Local 500 representing supporting services employees
 - ☐ Montgomery County Association of Administrative and Supervisory Personnel (MCAASP) representing administrators and supervisory employees
- Employees receive continuing salary increases related to seniority (steps and longevity). This increase includes \$42 million for scheduled annual increments for employees with satisfactory service who are still progressing along salary schedules and for teachers who accumulate sufficient graduate credits to move to a higher salary schedule lane.
 - The continuing salaries total includes \$7.1 million required for the additional annual cost of negotiated salary increases that take effect mid-year in FY 2007.
 - Included in net continuing salary costs is approximately \$26.3 million in lapse (savings resulting from short-term vacancies) and turnover (savings from replacing a senior employee with a lower-paid junior employee) savings based on historical experience. This amount is \$1.8 million higher in FY 2008 to reflect the higher level of total salaries.
 - An additional \$2.9 million is required for associated social security and retirement payments related to continuing salary costs.
 - The total budget increase for continuing salary costs and related benefits is \$25.7 million. The total includes \$15.2 million for MCEA, \$7.4 million for SEIU Local 500 and \$3.1 million for MCAASP.
 - Continuing salaries increase the total budget by 1.4 percent and the budget for salaries and wages by 2.2 percent.

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Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Employee Benefit Plan

The Montgomery County Public Schools (MCPS) FY 2008 Operating Budget includes \$219.9 million to provide life and health insurance for current active and retired employees and their families through the Employee Benefit Plan (EBP). This is an increase of \$12.8 million (6.2 percent). Below are details of the reasons for the increase.

- MCPS works with a consultant firm, Aon Consulting, one of the leading firms in the nation with expertise in employee benefit plan administration. They study both national trends and actual MCPS experience to develop projections of future costs. These projections have been very close to actual results for the last several years.
- Joint negotiations with employee unions have resulted in a series of health care plan design changes, including higher co-pays for some plans, changes in pharmaceutical access, and new plan administration. It is estimated that these changes are saving \$6 million in FY 2007.
- The projected budget increase assumes a 9.1 percent cost increase trend in FY 2008. This is more than double the expected rate of inflation. The projection reflects the net of inflationary cost increases and the positive effects of cost containment initiatives and cooperation with other county agencies, including rebidding contracts with third party administrators.
- The cost of health and life insurance for active employees will rise by \$10,556,719. Active employees pay an average of 10 percent of plan expenses, although this varies by plan.
- Retiree health care costs will increase by \$2,208,185 with inflationary cost increases offset by expected reimbursement for Medicare Part D prescription drug costs of \$3.2 million in FY 2008.
- Retirees now pay 36 percent of plan costs. The number of retirees is anticipated to increase by 2.5 percent in FY 2008, consistent with recent trends.

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Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Enrollment

The Montgomery County Public Schools (MCPS) FY 2008 Operating Budget is reduced by \$5.3 million because of enrollment changes. Below are details of the reasons for the increase.

- Enrollment growth impacts most aspects of the Operating Budget, such as requirements for instructional staffing, student transportation (operators, attendants, and buses), instructional materials (textbooks and supplies), other school-based supporting services, and new and expanded school facilities.
- Total costs related to enrollment growth are reduced \$5,299,016. The total decreased cost of enrollment growth in elementary and secondary schools is \$6,174,060.
- Costs related to projected increases of nearly 1,100 ESOL students total \$1,530,789.
- Other costs related to enrollment change, including special education, are a net reduction of \$986,318.
- Employee benefits costs related to enrollment changes result in a net decrease of \$801,056.
- Official enrollment for the 2006-2007 school year is 137,798 students. This is a decrease of 1,589 students from FY 2006 and 2,138 less than the projected enrollment for FY 2007.
- The main reasons for lower enrollment include:
 - lower enrollment in kindergarten from 2003-04 to 2006-07 as a result of the four year phase-in of new entry age requirement
 - a decline in resident births through the 1990's, (reversed after 2000 when births increased again)
 - a rapid increase since 2000 in housing cost that has reduced the supply of affordable housing and led to condo conversions
 - recent net out migration of households from Montgomery County to more affordable areas
 - reduction of immigration since 2001
- Elementary school enrollment is projected to decline next year. The projection for Grades K-5 enrollment in FY 2008 is 55,972, down 101 from this year, and down 1,140 from FY 2006. Kindergarten enrollment is projected to be 9,400 next year, an increase of 449 compared to this year, and an increase of 299 compared to FY 2006 enrollment.

- After several years of increases, secondary school enrollment is projected to also decline in FY 2008. Total Grades 6-12 enrollment is projected at 68,866, a decline of 1,160 from this year, and a decline of 2,052 from FY 2006.
- Increased births since 2000, and the completion of the phase-in of the new kindergarten entry age this year, will reverse the decline in elementary enrollment beginning in 2008-09. In subsequent years, middle school and high school enrollment will also turn back up. By FY 2013, Montgomery County Public Schools is projected to have 138,900 students enrolled, 1,102 more than this year, and 487 less than in FY 2006 when 139,387 students were enrolled.

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Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Funding Retiree Benefits - GASB

The Montgomery County Public Schools (MCPS) FY 2008 Operating Budget includes \$16.1 million to begin pre-funding of Other Post-Employment health and life insurance Benefits (OPEB) for retired employees made necessary by the rulings of the Government Accounting Standards Board (GASB). It is important that this plan be adopted to assure retired and active employees that future retiree health insurance costs will be fully funded, and to protect the County's AAA bond rating.

- The GASB defines what are considered to be Generally Accepted Accounting Principles (GAAP) for governmental entities, including public school districts. GASB statements 43 and 45 relate to disclosure of liabilities for Other Post-Employment Benefits (OPEB).
- OPEB include retiree medical, dental, life insurance, and other benefits not covered by a pension plan.
- Plan sponsors such as MCPS, must comply with the new rulings beginning in FY 2008. They must determine through an actuarial study and disclose in financial reports OPEB liabilities as they are incurred. MCPS commissioned its pension actuary, Mercer, to conduct the required actuarial analysis.
- The new approach differs from current practice that permits employers to pay for such benefits on a "pay as you go" basis. Until 1978, MCPS pre-funded retiree insurance benefits. This fund was finally exhausted in FY 2003. Since then, the Operating Budget has paid the full cost of retiree benefits.
- Although GASB does not require government bodies to pre-fund OPEB obligations, bond rating agencies expect large governmental entities with favorable bond ratings to begin a phase-in of OPEB funding in FY 2008, with a clear plan to achieve full funding of the liabilities. As a result, all County funded agencies have been working together to recommend a common funding strategy to the County Council. It is expected that MCPS will establish a trust fund to hold and invest employer contributions. Investment earnings of the Trust will reduce the ultimate cost to the Operating Budget.
- The superintendent is recommending a five-year phase-in of added payments totaling \$80.3 million, with 16.1 million in new contributions added to the budget in each of the next six years. Based on actuarial recommendations, this will enable MCPS to achieve full funding of anticipated OPEB obligations.

Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Inflation and Other Cost Changes

Miscellaneous changes and cost increases resulting from inflation to maintain the same level of services increase the Montgomery County Public Schools (MCPS) FY 2008 Operating Budget by \$12.7 million (0.7 percent). Below are details of the reasons for the increase.

- Cost increases resulting from inflation and miscellaneous factors total \$12,727,923.
- After a period of price stability, inflation in the Washington metropolitan area has increased to nearly 4 percent. Inflation increases are calculated for most budgeted items other than salaries, and increases for major items that have specific rates different from general inflation rates are calculated separately. These include such items as utilities, tuition costs for students with disabilities who are in private placements, textbooks, and instructional materials.
- Inflation for instructional and other supplies and materials is \$1,772,225, based on the 6 percent inflation rate for textbooks and other instructional materials. However, the budget includes a reduction of \$792,024 to limit the inflationary adjustment to 3 percent.
- The total amount budgeted for textbooks is \$10.6 million.
- Utilities increases resulting from higher costs of natural gas and electricity total \$4,996,471 (13.1 percent). Estimated savings from energy conservation measures of \$1,248,594 limit the increase in utilities costs to a net of \$3.7 million (9.8 percent).
- Higher costs for diesel fuel for school uses and other vehicles and bus parts and lubricants total \$650,790. This results primarily from an expected increase in average diesel fuel costs from \$2.25 to \$2.50 per gallon.
- Higher costs resulting from expected 3 percent rate increases for non-public placement for special education students is \$1,175,558. Other inflationary and miscellaneous increases in special education total approximately \$914,000.
- Food services costs related to higher food and consumables prices will add \$528,130.

- Higher costs for plant operations, maintenance, and facilities will total \$991,775, including contractual maintenance (\$300,000), vehicle operations (\$300,000), and custodial and maintenance supplies (\$111,227), and other costs (\$280,548).
- Higher cost for technology services, including maintenance of the new Financial Management System, will add \$1,510,413 to the budget in FY 2008.
- Other cost increases total \$809,835, including restoration of instructional materials resources reduced in FY 2007 (\$843,098), rental costs for new graduation venues (\$196,350), offset partially by other expected changes (\$229,613).

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Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Initiatives for Academic Achievement

The Montgomery County Public Schools (MCPS) FY 2008 Operating Budget includes \$12.1 million, including 128.9 positions, for new or expanded program initiatives to improve academic achievement for all students. These initiatives implement goals and strategies of the MCPS strategic plan: *Our Call to Action: Pursuit of Excellence*, most recently approved by the Board of Education in July 2006. In addition, resources have been realigned to focus on the highest improvement priorities. Below are details of the FY 2008 initiatives.

Elementary School Improvements

Continuation of improvements in elementary school programs to raise the bar and close the achievement gap for all students. Improvements total \$2,754,604 and include:

- Addition of 3 FTE to strengthen art, music, and physical education staffing - \$174,285
- Addition of 15 assistant principals, for a total of 110, to continue multiyear initiative- \$1,583,040
- Increase of instructional data assistants to a minimum of 6 hours daily to allow for increased analysis of student data-\$647,661
- Increase of elementary team leaders to at least 7 at every school to coordinate grade level curriculum-\$123,188
- Addition of three IT user support specialists to allow more time at each school-\$226,430

Middle School Enhancement

The FY 2008 Operating Budget includes the start of a major new initiative to enhance the quality and rigor of middle school instruction. Many of the new ideas for middle school have been initiated through the federally funded Middle School Magnet Consortium (MSMC) at Argyle, Parkland, and A. Mario Loiederman middle schools.

- A total of \$2.5 million for middle school support programs, including 21.3 positions as presented to the Board of Education on January 9, 2007. These recommendations are the result of a year-long work group including a variety of stakeholders.
- Addition of 16.5 middle school counselors - \$1,258,274

- Addition of 10 more middle schools with hours-based staffing for special education services, including 31.5 positions - \$1,810,029

High School Initiatives

High school initiatives are targeted to help prepare all students to pass the High School Assessments (HSA) required for graduation. Total of \$2,214,195

- Support for ESOL students with interrupted education as recommended by the Latino Education Coalition - \$154,647
- Replacing the existing evening school program with an extended school day for students who require extra help - \$400,000
- Providing time to high school resource teachers to coordinate intervention programs - \$545,912
- Increasing the number of high school counselors – 4 FTE and \$305,036
- Providing high school resource counselors with additional summer planning time - \$84,255
- Expanding the number of online course available to high school students, partially defrayed through student fees - \$217,154
- Expanding the Poolesville High School magnet programs by an additional grade, phasing in Grade 10 programs - \$116,190
- JV Lacrosse and other funds for middle school extracurricular activities, funded by higher student fees - \$391,000

School Support

Other improvements that support academic achievement at all schools include a total of \$1,518,812:

- Increased systems programming services to facilitate translation of documents issued by schools - \$66,534
- Support for the inter-agency Kennedy Cluster Project to assist underachieving students - \$150,000
- Floor burnishers at all schools - \$448,000
- Strengthening training of supporting services employees - \$132,523
- Coordination of programs for paraeducators - \$86,779
- Strengthening programs to certify all teachers as highly qualified - \$63,879
- Improving capacity to provide financial and operational accountability through the new Financial Management System, including integration of financial and performance data - \$500,000
- Staff support for the Board of Education - \$71,097

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**FY 2008 OPERATING BUDGET SUMMARY
INITIATIVES/BUDGET ISSUES**

3/1/2006

	FTE	AMOUNT
High School Initiatives (HSA Proficiency)		
Uninterrupted Education Support (Latino Education Coalition)	1.000	154,647
High School Plus		400,000
High School Resource Teacher Allocations and Class Size	10.000	545,912
High School Counselor Allocation	4.000	305,036
High School Resource Counselors- 8.5 additional days		84,255
Expansion of Student Online Learning Program	2.000	217,154
Poolesville High School Magnet - Phase In Grade 10	2.000	116,190
JV Lacrosse and extracurricular activities		391,000
Subtotal	19.000	\$ 2,214,195
Middle School Enhancement		
Middle School Support	21.3	2,500,000
Middle Schools Counselor Allocation	16.5	1,258,274
Hours-based special education staffing	31.500	1,810,029
Subtotal	69.300	\$ 5,568,303
Elementary School Improvements		
Elementary Art, Music, PE Staffing	3.000	174,285
Additional Elementary Assistant Principals	15.000	1,583,040
Instructional Data Assistant Hours to 6 Hours	14.625	647,661
Elementary Team Leader Allocations to 7 for schools with 5 or 6		123,188
Operations Excellence - IT Systems Specialists	3.000	226,430
Subtotal	35.625	\$ 2,754,604
School Support		
Systems Programmer for Translation Services	1.000	66,534
Kennedy Cluster project		150,000
Burnishers for All Schools		448,000
Supporting Services Training and Development - Clerical Support	1.000	48,379
Staff Development Specialist	1.000	84,144
Certification Assistant	1.000	\$ 63,879
Coordinator of Paraeducator Program in OCIP	1.000	86,779
Subtotal	5.000	\$ 947,715
Shared Accountability		
Financial Management Information System		\$ 500,000
Board of Education staffing		71,097
Subtotal	0.000	\$ 571,097
GRAND TOTAL	128.925	\$ 12,055,913

Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Negotiated Agreements

The Montgomery County Public Schools (MCPS) FY 2008 Operating Budget includes an increase of \$69.9 million based on ratified negotiated agreements with the three employee unions. The agreement was approved by the Board of Education and signed on February 13, 2007. Funds to fulfill the terms of the agreements on negotiated salary increases are included in the Board of Education's Budget Request for FY 2008. Below are details of the agreements.

Increases in employee salaries are determined by negotiated agreements with three employee organizations:

- ☐ Montgomery County Education Association (MCEA)
- ☐ SEIU Local 500 representing supporting services employees
- ☐ Montgomery County Association of Administrative and Supervisory Personnel (MCAASP)
 - The negotiated salary adjustments include 4.8 percent for all bargaining unit members for FY 2008 and other compensation changes equivalent to .2 percent for a total of 5 percent. It also includes 5 percent for FY 2009, and 5.3 percent for FY 2010, and other compensation changes equivalent to .3 percent, for a total of 5.6 percent.
 - The total cost in FY 2008 of the negotiated salary increases (including related benefits) is \$69,899,856. It includes \$44.8 million for MCEA members, \$17.7 million for members of SEIU Local 500, and \$4.6 million for MCAASP.
 - Funding to implement the negotiated agreement includes related employee benefits costs of \$7.4 million for social security and retirement contributions based on salary.

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Montgomery County Public Schools

FY 2008 OPERATING BUDGET

New Schools

The Montgomery County Public Schools (MCPS) FY 2008 Operating Budget is reduced by a net of \$697,216 reflecting the effects of opening new schools. Below are details of the reasons for the decrease.

- The budgetary impact of new schools is a result of the combination of positions added to a school because of the school building itself and one-time start-up costs.
- Costs associated with the opening of new schools rather than enrollment growth include building administrators, reading teachers, staff development teachers, building service workers, secretaries, and other positions. New school costs also include utilities, media and instructional materials, custodial supplies, equipment, food services, and other non-personnel costs.
- One-time costs come out of the budget in the year after the building opens or a grade is added. As a result, the incremental impact of new schools in any single year may be an increase or decrease.
- In FY 2008, one new elementary school will open, Downcounty Consortium Elementary School #28 (former Arcola ES), along with an additional grade at Clarksburg High School.
- Additional costs related to reopening Northeast Consortium Elementary School #28 (Arcola) total \$623,821.
- The net decrease of costs related to opening an additional grade at Northwood and Clarksburg high schools and reductions related to prior year one-time costs at Lakelands Middle School, A. Mario Loiederman Middle School, and Clarksburg High School totals \$1,321,037.

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Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Program Reductions and Efficiencies

Each year, the Montgomery County Public Schools (MCPS) undertakes a comprehensive effort to identify potential program reductions and efficiencies. This is called the Program Efficiency, Abandonment, and Redirection (PEAR) process. For FY 2008, the Operating Budget includes \$4.8 million of reductions and efficiencies that make resources available for new programs and higher priority uses. Below are details of the FY 2008 reductions.

- Every office receives a target of potential reductions and realignments at the beginning of the budget development process. These proposals are carefully assessed to minimize the impact on the classroom.
- Zero-based budgeting is used to review and justify all expenditures and identify opportunities for reductions.
- Since FY 2001, the budget has included reductions of \$64.5 million from the base budget, making possible funding for higher priority initiatives.
- MCPS has central administrative costs of 2 percent of the total budget, one of the lowest percentages in the state. Based on the most recent state data, if MCPS were at the state average, central administrative costs would be at least \$13.4 million higher.

Offices of the Chief Operating Officer and Human Resources

Efficiencies in the provision of support services, totaling \$1,918,594, including:

- Savings in utility consumption due to relamping and other efficiencies - \$1,248,594
- Reduction in tuition for university partnerships for new teachers - \$400,000
- Reduction of school visiting bookkeeper program - \$40,000
- Elimination of loss prevention study - \$200,000
- Other reduced expenses - \$30,000

Office of Curriculum and Instructional Programs

Reduction of a total of \$396,113 in a variety of central office units, including professional part-time salaries, instructional materials, office supplies, and contractual services

Office of Organizational Development

- Reduction of skillful teacher project to reflect lower participation - \$300,000
- Reduction of new teacher induction project to reflect fewer numbers of new teachers hired - \$203,380

Office of Information and Organizational Systems

A total of \$618,835 in savings and efficiencies due to a variety of reductions in contractual services, consultants, training costs, hardware, software, supplies, and local travel

Inflationary Adjustment

Reducing the assumption for inflation in textbooks and instructional materials to 3 percent
- \$792,024

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**FY 2008 OPERATING BUDGET SUMMARY
PEARS**

11/6/2006

	PAGE	FTE	AMOUNT
Office of Curriculum and Instructional Programs:			
1 Office of Curriculum and Instructional Programs	53		\$ 20,700
2 Dept. Curriculum and Instruction	57		210,089
3 Dept. Enriched and Innovative Programs	61		95,776
4 Dept. Instructional Programs: Eval/Selection of Instruct Materials	86	1.000	69,548
5 Subtotal		1.000	\$ 396,113
Office of Organizational Development:			
6 New Teacher Induction	26		203,380
7 Skillful Teacher Project	31		300,910
8 Other Staff Development Reductions			590,000
9 Subtotal		0.000	\$ 1,094,290
Office of Informations Systems and Organizational Development:			
10 Deputy's Office	24		70,520
<i>Department of Technology Consulting and Communication Systems</i>			
11 Assessment Hardware	28		78,200
12 IMS Power User Training	32		83,358
<i>Division of Business Systems</i>			
13 Division of Business Systems	46		96,146
14 Staff Development Module in IMS	50		13,750
15 Student System Development	52		116,358
16 Department of Technology Implementation and Support	66		10,588
<i>Division of Field Operations</i>			
17 Contractual Supplies	70		17,084
18 Local Travel	73		53
19 Consultants - Telecommunications Project	76		29,086
20 Supporting Service Part-time	80		36,500
<i>Division of Technology Support</i>			
21 Local Travel	84		5,250
22 Consultants - Help Desk System Redesign	87		20,242
23 Supplies - Instructional Computers	91		7,000
24 Contractual - Instructional Computers	94		23,700
<i>Department of Shared Accountability</i>			
25 Furniture & Equipment	100		11,000
26 Subtotal		0.000	\$ 618,835
Office of the Chief Operating Officer:			
27 Controller's Office - Reduce Visiting Bookkeepers program	17		40,000
28 Association Relations - Reduce negotiations and related expenses	21		10,000
29 ERSC Supplies	29		20,000
31 Utilities	37		1,248,594
32 Tuition for University Partnerships			400,000
33 Eliminate funds for Loss Prevention Study			200,000
34 Subtotal		0.000	\$ 1,918,594
K-12 Instruction/OSP:			
35 Reduce 6% Inflation Factor for Textbooks, Media, Instruct. Materials to 3%			\$ 792,024
TOTAL		1.000	\$ 4,819,856

Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Productivity

The Montgomery County Public Schools (MCPS) FY 2008 Operating Budget reflects continued efforts to improve productivity by reducing costs and realigning existing resources to higher priorities. Below are details of some recent productivity improvements.

Strategic Plan

- The MCPS strategic plan: *Our Call to Action: Pursuit of Excellence* maximizes productivity by setting consistent goals, strategies, measures, and targets for the entire school system. Consistency and constancy of purpose avoids wasting resources on priorities not aligned with system goals.
- The plan is reviewed annually through extensive public outreach and participation to make steady course corrections to keep the plan as a living document, guiding the use of resources.
- The *Annual Report on Our Call to Action* summarizes the effectiveness of strategies and holds the school system accountable for measurable results.

Baldrige Education Criteria for Performance Excellence

- Adoption of the Baldrige Quality Criteria provides a model for continuous improvement at all schools and offices. Every school has received Baldrige quality training. School improvement plans reflect a more focused approach using Baldrige principles.
- In 2005, MCPS won the U. S. Senate Productivity and Maryland Quality Award, the first large school system in the United States to win this award.
- In 2006, MCPS received a site visit for the Malcolm Baldrige National Quality Award, one of only 15 organizations nationwide—corporations, non-profits, or government agencies—to receive a site visit.

Maryland Tax Education Foundation Study

- In 2005, the Maryland Tax Education Foundation, an independent think tank, concluded that MCPS provides taxpayers “a relative bargain” compared to similar school districts throughout the northeast, delivering better SAT scores at a lower per student cost.
- Compared to other school districts studied, MTEF concluded that “Montgomery County spends less and performs better.”

Process Improvement

- MCPS has used innovative approaches to process improvement, such as Value Stream Mapping (VSM), a tool used in industry to eliminate waste.
- VSM projects include improving the maintenance work order system, routing special education buses, and ordering instructional materials.
- The Process Design and Improvement Process (PDIP) model for the design of improved business processes eliminates rework and errors. PDIP has been used to implement a 60 percent reduction in health violations in the food service area.

Productivity Improvements

- Many MCPS units have applied productivity tools to achieve significant improvements. MCPS has reduced its base budget by \$64.5 million over the past eight years, redirecting those resources to improvement initiatives in the classroom. Savings also enabled MCPS to return nearly \$40 million to the county over the last 4 years.
- Centralized management of computers reduces technician service visits to schools.
- Increased publishing of accountability reports and evaluations on the MCPS Web site
- Electronic formative assessments using Technology for Curriculum Mastery (TCM) save teacher time.
- ConnectED provides parents with up-to-date information and supports a variety of languages.
- The MCPS Call Center handles community calls in both English and Spanish, increases convenience for parents, and reduces staff time spent answering basic questions.
- Copy-Plus centralizes copying of up to 40 million copies annually, saving teachers time and reducing system costs.
- Call tracking of over 50,000 issues annually in the Employee and Retirees Services Center improves customer service while saving staff time.
- On-line ordering has saved paper and postage while reducing the time to fill staff orders.
- Systematic Team Cleaning has improved efficiency of building cleaning, improving security and saving energy. This approach substantially reduces substitute costs in building services.
- Energy conservation through computerized controls has reduced electricity costs.

3/07

Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Public Engagement and the Operating Budget

The Montgomery County Board of Education has strengthened public engagement in the development of the MCPS Operating Budget. MCPS has implemented new methods this fall to expand public participation. Feedback received from this process has influenced the proposals included in the FY 2008 Operating Budget. Below are details of the new process.

- For the past three years, the Board of Education has held public community forums in the fall to provide feedback on the progress of the MCPS strategic plan and how the budget can be better aligned with the strategic goals of the school system.
- On September 21, staff and Board members met with parent, student, employee association, and community leaders to offer them an opportunity to provide feedback and to institute an ongoing process to obtain feedback from their constituency groups.
- On October 12, the Board held a public community forum at which 37 individuals testified.
- In addition, MCPS is receiving ongoing feedback online and through feedback cards in multiple languages that have been distributed to parents and community organizations. More than 30,000 cards in six languages have been distributed. Over 1,600 comments have been received from more than 400 respondents.
- Main themes identified in the comments include:
 - curriculum, assessment, and instruction;
 - teacher quality and compensation;
 - class size;
 - parent outreach and communication; and
 - facilities issues.
- Recommendations in the FY 2008 Operating Budget reflecting community feedback include:
 - improvements in staff compensation
 - middle school enhancement,
 - hours-based staffing for special education at 10 more middle schools,
 - school counseling,
 - translation services, and
 - expansion of gifted and talented programs.

Montgomery County Public Schools

FY 2008 OPERATING BUDGET

Revenue

Montgomery County Public Schools (MCPS) currently receives 75 percent of its Operating Budget revenue from local county contribution, 18 percent from the state of Maryland, 4 percent from the federal government, and 3 percent from enterprise fund activities and all other sources. Below are details of major revenue issues facing MCPS in FY 2008.

State Revenue

- In FY 2007, MCPS received \$334.4 million in state revenue, an increase of \$32.7 million.
- FY 2008 is the final year of the six-year Bridge to Excellence in Public Schools Act (BTE).
- Through FY 2007, state aid has increased by \$111 million above the amount before the BTE Act.
- In FY 2008, MCPS should receive approximately \$55.0 million in additional state aid.
- This does not include \$22.4 million for the Geographic Cost of Education Index (GCEI).
- The GCEI is an integral part of the Bridge to Excellence law. The GCEI adjusts the amount of foundation state aid to local school district to reflect the higher cost of education in some districts. The Thornton Commission report recommended that the GCEI was a fundamental aspect of achieving funding equity. The General Assembly expected that the GCEI funding would be included in the additional state aid provide in the Bridge to Excellence law. Had the state funded the GCEI in FY 2007, MCPS would have received approximately \$17 million.
- In FY 2007, the state also failed to fund its share of educational costs at RICA-Rockville, a school for special education students with severe disabilities. This cost Montgomery County \$1.3 million that was appropriated by the General Assembly but not disbursed by the governor.

County Revenue

- Montgomery County provides 75 percent of MCPS total resources, more than the percentage paid by any other county in Maryland. In FY 2007, MCPS receives 74.7 percent of its operating budget from the county.
- In FY 2008, the expectation is that the county contribution will decline as a percentage to 74 percent because of increased state aid, the lowest county percentage ever.

- In FY 2007, the County Council approved a local contribution to the MCPS budget that was \$94.4 million higher than the minimum required by the state requirement for Local Maintenance of Effort (MOE).
- The Maintenance of Effort requirement for FY 2008 is \$1.374 billion in local tax contribution.
- This amount would mean a reduction in county contribution of \$11 million.
- For FY 2008, approximately \$79.0 million of increased local funding will be needed.
- The potential gap between MCPS needs and the maintenance of effort amount is \$90 million, which is the \$11 million reduction for MOE plus the \$79 million additional need for local resources.
- The County Council approved a preliminary spending affordability guideline (SAG) for MCPS of \$1.787 billion in tax-supported funds. This is \$72.4 million less than the amount requested by the Board of Education.
- There are indications that County Council will provide \$16 million above the maintenance of effort requirement for the MCPS contribution to begin pre-funding of retiree health and life insurance obligations as required by new accounting rules. This would reduce the potential gap between SAG and MCPS needs to approximately \$56 million.

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Figure 1

FY 2008 BOARD OF EDUCATION OPERATING BUDGET REQUEST

(\$ amounts in millions of dollars)

ITEM	AMOUNT	ITEM	AMOUNT
FY 2007 OPERATING BUDGET (Nov. 200	\$1,851.9	PROGRAM REDUCTIONS	
ENROLLMENT CHANGES		Central Services Reductions	(1.1)
Elementary/Secondary	(6.2)	Support Operations Reductions	(2.9)
Special Education	(1.0)	Inflation Adjustments	(0.8)
ESOL	1.9	TOTAL PROGRAM REDUCTIO	(4.8)
Transportation/Food Service/Fa	1.2		
Benefits for Staff	(1.2)	INITIATIVES	
TOTAL ENROLLMENT CHANG	(5.3)	Elementary Assistant Principals	1.6
		Elementary Art, Music, Physical	0.2
NEW SCHOOLS		Other Elementary School Impro	1.0
Elementary/Secondary/Special I	(1.1)	Middle School Enhancement Inc	3.7
Food Service/Facilities/Plant Op	0.2	High School Counselors	0.3
Benefits for Staff	0.2	Support for ESOL Students with	0.2
TOTAL NEW SCHOOLS AND F	(0.7)	Poolesville High School Magnet	0.1
		Special Education	1.8
EMPLOYEE SALARIES		Other High School Improvemen	1.8
Negotiated Agreements (Tentat	62.2	School Support Improvements	1.4
Benefits for Negotiated Agreem	7.7	TOTAL INITIATIVES	12.1
Continuing Salary Costs	22.8	OTHER	
Benefits for Continuing Salary C	2.9	RETIREE HEALTH TRUST FUI	16.1
TOTAL SALARIES AND RELAT	95.6		
		REQUESTED FY 2008 BUDGET	\$1,988.4
EMPLOYEE BENEFITS AND INSURANCE		Less enterprise funds	(54.2)
Employee Benefit Plan (active)	10.6	Less grants	(74.8)
Employee Benefit Plan (retired)	2.2		
Retirement	(3.1)	SPENDING AFFORDABILITY BUDC	\$1,859.4
Tuition Reimbursement	0.2		
FICA/Self-insurance/Workers' C	0.8		
TOTAL BENEFITS AND INSUR	10.7		
INFLATION AND OTHER			
Utilities	5.0		
Special Education Non-public T	1.2	REVENUE INCREASE BY SOURCE	
Transportation	0.9	Local	\$79.0
Facilities/Plant Operations/Main	0.6	State	55.0
Inflation	2.4	Federal	(0.3)
Technology	1.5	Enterprise	2.2
Food Service	0.4	Other	0.6
Other	0.8	TOTAL REVENUE INCREASE	\$136.5
TOTAL INFLATION AND OTHE	12.8		

**SCHEDULE OF BOARD OF EDUCATION AMENDMENTS
TO THE FY 2008 OPERATING BUDGET**

DESCRIPTION	Budget Page Number	Board Amendments	
		Pos.	Amount
CATEGORY 1 - ADMINISTRATION			
Department of Shared Accountability - ODD 626 Kennedy Cluster Project	5-74		138,889
Office of the Board of Education - ODD 711 Staff Assistant Position - Programs and Finance Contractual Services	10-3	1.0	\$ 89,157 (35,000)
Total Category 1		1.0	193,046
CATEGORY 3 - INSTRUCTIONAL SALARIES			
Division of ESOL/Bilingual Programs - 239 Teachers for Projected Enrollment Changes	3-76	27.3	1,330,789
Middle Schools - ODD 131 After School Extracurricular Activities	1-11		92,893
High Schools - ODD 141 Junior Varsity Lacrosse Program	1-22		270,320
Office of Organizational Development - ODD 656 Staff Development - Support for Students Transitioning from Learning Centers to Home/Consortia Schools	6-11		201,833
Total Category 3		27.3	1,895,835
CATEGORY 4 - TEXTBOOKS AND INSTRUCTIONAL SUPPLIES			
Division of ESOL/Bilingual Programs - ODD 239 Instructional Materials	3-76		43,093
Total Category 4			43,093

**SCHEDULE OF BOARD OF EDUCATION AMENDMENTS
TO THE FY 2008 OPERATING BUDGET**

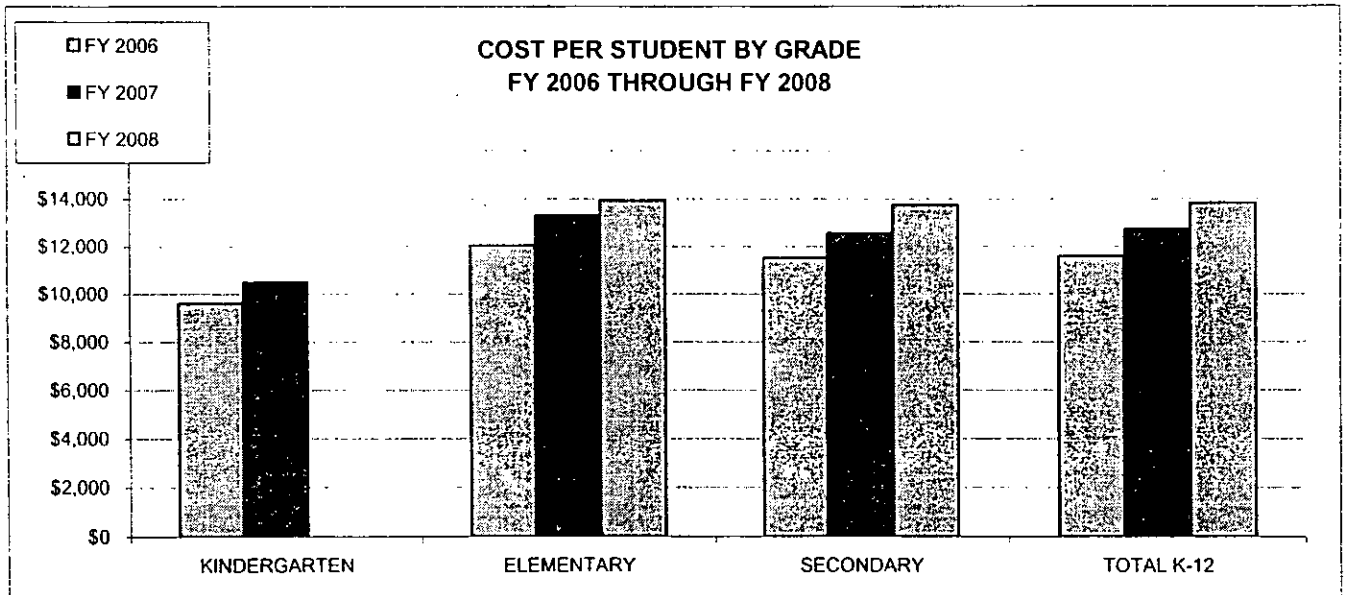
DESCRIPTION	Budget Page Number	Board Amendments	
		Pos.	Amount
CATEGORY 5 - OTHER INSTRUCTIONAL COSTS			
High Schools - ODD 141 Graduation Ceremonies	39,104		196,350
Total Category 5			196,350
CATEGORY 6 - SPECIAL EDUCATION			
Secondary Learning Centers - ODD 244 Restore Staffing for all but Rising 6th Graders	4-27	31.5	1,233,060
Total Category 6		31.5	1,233,060
CATEGORY 9 - STUDENT TRANSPORTATION			
Division of Transportation - ODD 344 Restore Extended School Year Services for Special Education Students Funds for Activity Buses for Poolesville High School	7-77		167,148 192,349
Total Category 9			359,497
CATEGORY 12 - FIXED CHARGES			
Department of Financial Services - ODD 333 Kennedy Cluster Project Staff Assistant Position - Programs and Finance ESOL Enrollment Changes Middle School Extracurricular Activities Junior Varsity Lacrosse Program Staff Development	7-21		11,111 16,940 327,102 7,107 20,680 16,147

**SCHEDULE OF BOARD OF EDUCATION AMENDMENTS
TO THE FY 2008 OPERATING BUDGET**

DESCRIPTION	Budget Page Number	Board Amendments	
		Pos.	Amount
Special Education Secondary Learning Centers			358,989
Extended School Year Services for Special Education Students			11,078
Activity Buses for Poolesville High School			7,651
Total Category 12			776,805
GRAND TOTAL		59.80	\$ 4,697,686

COST PER STUDENT BY GRADE SPAN

	KINDER-GARTEN	ELEMEN-TARY	SECONDARY	TOTAL K-12	AMOUNT EXCLUDED*	TOTAL BUDGET**
FY 2006 Actual						
EXPENDITURES	\$87,587,026	\$610,442,605	\$888,410,257	\$1,586,439,888	\$128,221,266	\$1,714,661,154
STUDENTS 9/30/05 (ACTUAL)	9,101	50,692	77,069	136,862		
COST PER STUDENT	\$9,624	\$12,042	\$11,527	\$11,592		
FY 2007 BUDGET						
EXPENDITURES	\$94,065,832	\$665,621,715	\$959,702,298	\$1,719,389,845	\$132,106,442	\$1,851,496,287
STUDENTS 9/30/06 (ACTUAL)	8,951	49,864	76,375	135,190		
COST PER STUDENT	\$10,509	\$13,349	\$12,566	\$12,718		
FY 2008 BUDGET						
EXPENDITURES		\$817,718,159	\$1,039,474,908	\$1,857,193,067	\$131,208,014	\$1,988,401,081
STUDENTS 9/30/07 (PROJECTED)		58,711	75,522	134,233		
COST PER STUDENT		\$13,928	\$13,764	\$13,836		



Notes:

* SUMMER SCHOOL, COMMUNITY SERVICES, TUITION FOR STUDENTS WITH DISABILITIES IN PRIVATE PLACEMENT, AND ENTERPRISE FUND ACCOUNTS ARE EXCLUDED FROM COST OF REGULAR DAY SCHOOL OPERATIONS

** FY 2007 FIGURES REFLECT CURRENT APPROVED BUDGET.

TABLE 5
ALLOCATION OF STAFFING

POSITION	APPROVED BUDGET FY 2007	CURRENT BUDGET FY 2007	BUDGET FY 2008	FY 2007 - 2008 CHANGE
Executive	17.000	17.000	17.000	
Administrative	92.500	92.500	93.500	1.000
Other Professional	392.450	406.200	414.200	8.000
Principal/Assistant Principal	478.000	478.000	495.000	17.000
Classroom Teachers	10,255.900	10,256.900	10,242.200	(14.700)
Special Ed Specialists	465.200	465.200	462.200	(3.000)
Media Specialists	205.500	205.500	203.500	(2.000)
Counselors	446.100	446.100	467.600	21.500
Psychologists	100.840	100.840	102.840	2.000
Social Workers	12.450	12.500	14.500	2.000
Pupil Personnel Workers	47.000	47.000	47.000	
Aides/assistants	2,499.342	2,500.342	2,525.220	24.878
Technical	331.450	338.950	347.450	8.500
Clerical/Office Support	1,090.862	1,086.237	1,081.437	(4.800)
Security	201.500	200.500	228.500	28.000
Cafeteria	539.780	539.780	540.660	0.880
Plant Operations	1,297.700	1,275.700	1,290.200	14.500
Maintenance	320.000	348.000	349.000	1.000
Supply	77.000	77.000	77.000	
Transportation	1,742.330	1,741.330	1,740.570	(0.760)
Business Personnel	101.500	101.500	101.500	
Technology/Data Processing	1.000			
Research Personnel			3.000	3.000
Total	20,715.404	20,737.079	20,844.077	106.998

HISTORY OF MCPS OPERATING BUDGET

Fiscal Year	BOE Request	CE Rec	CE as % of BOE Request	Approved	Approved as % of BOE Request	Approved Year over Year Change
FY95	831,083,917	830,920,454	99.98%	830,010,147	99.87%	
FY96	893,500,374	873,393,202	97.75%	878,160,420	98.28%	5.8%
FY97	923,300,664	914,579,959	99.06%	915,141,097	99.12%	4.2%
FY98	963,556,933	951,593,588	98.76%	958,416,196	99.47%	4.7%
FY99	1,035,831,965	1,018,768,106	98.35%	1,034,768,530	99.90%	8.0%
FY00	1,109,674,340	1,106,885,306	99.75%	1,105,644,145	99.64%	6.8%
FY01	1,220,920,067	1,204,584,463	98.66%	1,216,096,599	99.60%	10.0%
FY02	1,333,836,665	1,307,377,294	98.02%	1,323,625,477	99.23%	8.8%
FY03	1,398,594,671	1,398,594,671	100.00%	1,412,161,822	100.97%	6.7%
FY04	1,518,840,346	1,487,705,056	97.95%	1,498,374,041	98.65%	6.1%
FY05	1,587,373,378	1,585,853,126	99.90%	1,609,382,533	101.39%	7.4%
FY06	1,722,472,494	1,722,472,494	100.00%	1,713,736,154	99.49%	6.5%
FY07	1,839,194,639	1,839,194,639	100.00%	1,851,496,287	100.67%	8.0%

PEAR PROGRAM REDUCTIONS

The FY 2007 budget includes \$6,023,547 in program reductions of existing resources as a result of the Program Effectiveness, Abandonment, and Redirection (PEAR) process and the zero-based budgeting approach. These resources are used to help fund new high priority initiatives. There also is \$254,301 shifted from the tax-supported budget to grants and enterprise funds.

- Redirected resources come disproportionately from central services functions. Of the total realigned resources, \$1.6 million (27.0 percent of the total) comes from central services.
- Support operations total \$1.5 million of the reductions (24.7 percent).
- School-based resources to be reduced total \$2.9 million (48.3 percent). Only 0.2 percent of school-based resources will be realigned to higher priorities.

PROGRAM REDUCTIONS

K-12 Instruction—(\$1,094,251)—Page 19

- Reduction in the inflation adjustment for textbooks (\$444,251), media center materials (\$136,240), and instructional materials (\$160,950)
- Other reductions include instructional equipment (\$50,000), elementary curriculum support (\$100,000), and summer supplemental employment used for program development (\$200,000)

Office of Curriculum and Instructional Programs—(2.7 FTE)—(\$674,859)—Page 18

- Reduction of 2.7 positions and \$171,950 for support positions in prekindergarten programs. Reductions include 2.0 family service worker positions, a 0.5 speech pathologist, and a 0.2 social worker. Other reductions include \$19,456 in food for the Head Start program based on projected needs, \$17,000 in Outdoor Education site rental and food costs, and \$275,000 in special purpose materials and other supplies and materials.
- Central services reductions in OCIP include \$138,000 in printing costs for instructional guides, \$40,192 in instructional materials and computer science equipment in the Division of Career and Technology Education, and \$13,261 in professional part-time salaries used for curriculum research and grant writing.

Office of Special Education and Student Services—(20.3 FTE)—(\$1,804,083) —Page 19

Special Education

- School-based reductions include 6.0 positions and \$601,774 for elementary load teacher positions provided as half-time coordinators to elementary schools with only a single building administrator. Initiatives to increase assistant principals make this a lower priority.
- Reduction of 1.5 speech pathologist positions and \$128,911 at 5 schools converted from language to LAD classes. Students will continue to receive needed speech pathology services through the LAD program.
- Reduction of 2.2 positions and \$154,399 from the elimination of a K-1 language class at New Hampshire Estates Elementary School. This class is no longer needed because of a reduction in the number of restrictive special education placements.
- Reduction of a 1.0 parent coordinator position and \$85,106 for the Preschool Education program (PEP). Existing staff will be redeployed to provide needed parent outreach services.
- Reduction of 1.5 positions and \$214,491 at secondary learning centers. Fewer students require placement in this program.
- Reduction of a 1.0 teacher and 1.5 paraeducators and \$141,440 from the reduced need for a School/Community Based class at James Hubert Blake High School. Students will be reassigned to classes at Sherwood or Springbrook high schools.
- Reduction of 2.6 positions and \$222,837 at Mark Twain School because of decreased enrollment at the school.

Department of Student Services

- Reductions in the Department of Student Services include 3.0 central office positions and \$243,426 budgeted in the summer school program by abolishing the Department of Alternative Programs and assigning its responsibilities to the Department of Student Services and the Office of School Performance. This will integrate the work of alternative programs with other school-based programs.
- There also is a reduction of \$11,649 in the locally funded cost of adult basic education, which was transferred in FY 2006 to Montgomery College.

Office of Information and Organizational Systems—(\$329,808)—Page 18

Reductions in the Office of Information and Organizational Systems (OIOS) permit redirection of resources to higher priority needs. Other realignments made within the office to fund higher priority needs are described in the operating budget. The reductions include:

- \$187,760 for software licenses for the IMS system class server that allows teachers to monitor online assessment tools
- \$43,000 for network facilities renovation
- \$20,000 for Work Management services for technology projects
- \$8,400 for document management software contractual maintenance
- \$53,200 in other office expenditures
- \$17,448 for part-time salaries in the Department of Reporting and Regulatory Accountability (DRRA) used for audit or policy projects.

Electronic Graphics Equipment—(\$76,321)—Page 19

- There is a reduction of equipment expenditures in the Electronic Graphics and Printing Unit.

Office of Organizational Development—(\$650,600)

Online Learning—(\$350,600)—Page 18

- There is a reduction of \$350,600 in developing online learning coursework. Existing resources are available to continue work on the program in FY 2007. As a result of the reduction, further developmental work may be delayed.

Curriculum Training—(\$300,000)—Page 18

- Stipend resources for some curriculum training will be reduced. As a result, the number of training days of core elementary staff will be reduced and some training may be provided through online learning, but planned training activities will continue.

Office of the Chief Operating Officer—(\$1,393,675)

Controller—(\$21,384)—Page 19

- Part-time salaries related to the visiting bookkeeper program will be reduced based on actual expenditures.

Department of Facilities Management—(\$138,856)—Page 19

- There is a reduction because of a shift of office rental expenses from the tax-supported budget to the Real Estate Management Fund.

Division of Maintenance—(12.0 FTE) — (\$967,935)—Page 19

- There is a reduction of 12.0 positions due to elimination of renovation and alteration functions. This will eliminate discretionary minor construction projects. High priority maintenance projects will continue, using other staff.

Office of Human Resources

University Partnerships—(\$250,000)—Page 19

- Partnership programs with universities to provide high quality teachers have no net cost to the budget. Savings have been identified by reducing tuition costs and administrative expenses.

New Teacher Welcome—(\$15,000)—Page 19

- New teacher welcome ceremonies will be discontinued, but new teachers will continue to benefit from mentoring and other programs in the Office of Organizational Development.

OTHER CHANGES

Adult Education—(4.6 FTE)—(\$3,677,298)—Page 18

- There is a decrease of \$3,677,298 and 4.6 FTE as a result of adult education programs, budgeted in the Adult Education Fund, moving to Montgomery College and the Montgomery County Department of Recreation in FY 2007. The Career Camps program, budgeted in this fund, will remain with MCPS and is transferred to the Division of Career and Technology Education.

Future Supported Projects—\$3,459,552

- An additional \$3,459,552 is budgeted in the Provision for Future Supported Projects in the Department of Management, Budget, and Planning, to fund currently anticipated grant awards in FY 2007.

Department of Management, Budget, and Planning—(0.5 FTE)—(\$58,821)

- A 0.5 management and budget specialist position is realigned to support grants administration, reflecting current duties. This position will be funded from grant resources.

Office of Organizational Development

- The budget anticipates an increase in fees for Continuing Professional Development (CPD) courses totaling \$195,480. Fees will remain on a par or below those of neighboring school districts despite the fee increase.

MCS:jp

Copy to:
Executive Staff

PROGRAM REALIGNMENTS -- REDUCTIONS

K-12 Instruction—(38.4 FTE)—(\$1,956,550)

Literacy Partnership Teachers—(9.6 FTE)—(\$491,520)—Page 19

- These literacy teacher positions were allocated based on 0.4 FTE per high school to assist students in literacy skills to avoid the need for remediation courses at Montgomery College.
- Without these positions available, classroom teachers and resource teachers will have to provide the necessary reading and writing instruction to strengthen the skills of students in need of extra assistance.

Staff Development Teachers—(5.0 FTE)—(\$256,000)—Page 19

- This realignment reduces staff development teacher allocations in high schools from 1.2 to 1.0 FTE. For FY 2004 these allocations also were reduced by 0.2 FTE from 1.4 to 1.2 per school.
- This will involve some reduction in the ability of high schools to coordinate staff development activities, but the remaining staff allocations should enable staff to prioritize staff development responsibilities and with the assistance of resource teachers to coordinate staff development assistance for teachers and other instructional staff.

Mainstreaming Support Teachers—(12.8 FTE)—(\$655,360)—Page 20

- These classroom teacher position allocations were created to ease the transition of special education students in middle school to general education classes. The positions have been allocated to those middle schools with a relatively high number of special education students.
- The realignment is intended to create special education teacher positions that will be assigned to high priorities as identified by the special education staffing plan. Class sizes in some middle schools may be slightly higher than previously. However, by using available resources for the highest priorities, services for special education students will be more effective, especially those in general education classes for most of the school day.

Math Support Teachers—(10.0 FTE)—(\$512,000)—Page 20

- These classroom teacher positions were created to increase the number of students completing Algebra I by Grade 9. The additional positions enabled schools to reduce class size in Algebra I classes in high schools.

- While these positions have facilitated lower class size, more work is needed in differentiated education to strengthen teacher's instructional strategies to succeed with students with varying learning patterns. The resources freed by reducing these positions will be allocated to improve staff development for mathematics teachers to strengthen their skills in differentiated instruction.

Office of Curriculum and Instructional Programs—(\$732,859)

Office of the Associate Superintendent—(1.0 FTE)—(\$143,985)—Page 19

- A supervisor position with responsibility for acceleration and intervention activities is eliminated. Other curriculum coordinators and program leadership in the reading and assessment initiatives and in Title I will assume the responsibilities of this position.

School-based Curriculum Services—(0.5 FTE)—(\$34,465)—Page 19

- This realignment reduces a 0.5 fiscal assistant II position. Other department staff will assume these duties.

Early Childhood Programs—(\$12,040)—Page 19

- This realignment reduces instructional materials in kindergarten programs by \$12,040. Sufficient resources are available to carry out program needs.

ESOL Programs—(\$434,257)—Page 20

- Funds are realigned from this program to other accounts for the purchase of textbooks and other instructional materials for new curriculum units. As curriculum units are introduced, ESOL classes will receive these resources aligned with the new curriculum. See description above related to new textbooks.

Outdoor Education—(\$25,774)—Page 20

- The amount budgeted for contracted outdoor education food services can be reduced because of heavier scheduling of the Smith Environmental Education Center instead of rental sites. All Grade 6 students will continue to have the opportunity to participate in Outdoor Education.

In addition, fee revenue for outdoor education is estimated to increase by \$200,000. This means that the existing \$68 fee, which has not increased in many years, would have to rise by approximately \$25 per student. Families unable to afford existing fees would continue to pay a reduced amount.

Prekindergarten Programs—(\$82,338)—Page 19

- This realignment reduces a variety of expenditures in prekindergarten programs based on program needs. Those expenditures affected include non-position salaries, consultants, local travel, instructional materials, and instructional equipment.

Office of Staff Development—(\$914,808)

Consulting Teachers—(13.0 FTE)—(\$756,484)—Page 19

- The number of consulting teachers will be reduced from 48 to 35. This is possible because fewer novice teachers are expected to be hired as enrollment increases moderate, allowing remaining consulting teachers to focus more on the needs of underperforming teachers.

Staff Development Projects—(\$158,324)—Page 19

- There are a variety of realignments involving staff development projects based on experience of actual costs. The items reduced include materials, consultants, and local travel, and include the Skillful Teacher project, and curriculum and technology training projects.

Office of the Chief Operating Officer—(\$450,025)

Controller—(\$37,476)—Page 19

- Part-time salaries related to the visiting bookkeeper program will be reduced based on actual expenditures.

Department of Association Relations—(\$9,881)—Page 19

- There are reductions in the Department of Association Relations, including supporting services part-time salaries, legal expenses, and books and materials based on actual expenditures.

Department of Management, Budget and Planning—(0.5 FTE)—(\$29,135)—Page 19

- In accordance with new federal regulations in the No Child Left Behind (NCLB) Act, a 0.5 management and budget specialist position is realigned to federal grant programs, reflecting the time spent on grant budgeting and administration for federal NCLB grants.

Department of Planning and Capital Programming—(\$38,059)—Page 19

- There is a savings within the Department of Planning and Capital Programming to eliminate a senior Planner II position and replace it with a Planner II Database/GIS Specialist position based on expected future needs.

Department of Facilities Management—(\$161,000)—Page 19

- There is a realignment of office rental expenses from the tax-supported budget to the Real Estate Management Fund, reflecting increased rental revenue of the enterprise fund.

Department of Materials Management—(\$127,601)—Page 19

- The budget includes a delay in the purchase of school replacement furniture through the lease-purchase program. This will make it more difficult to replace old or outdated furniture in schools.

Department of Materials Management—(0.8 FTE)—(\$46,873)—Page 19

- In keeping with past practice, a .75 supply worker position is shifted from this budget to the Entrepreneurial Activities Fund, reflecting increased outside revenue at the Taylor Science Materials Center.

Office of Human Resources—(\$94,145)—Page 19

- With the completion in FY 2004 of the loan repayment to the Technology Investment Fund (TIF) for the Resume Scanning System, a total of \$94,145 reserved for that payment can be realigned to other priorities.

Office of Global Access Technology—(\$225,000)—Page 19

- A reduction in the number of new telephone lines and the elimination of some existing lines will result in a savings of \$99,244.
- Contractual expenditures for the Instructional Management System (IMS) can be reduced in FY 2005 for a savings of \$85,545.
- Reductions also are possible in the materials used for the certification of user support specialists (\$6,000) and in contractual services for software licenses used to extract data from the Data Warehouse and Instructional Management System (34,211).

Office of Student and Community Services—(\$95,891)

Department of Alternative Programs—(\$60,500)—Page 19

- Realignments in the Department of Alternative Programs include reductions in part-time salaries for home and hospital teaching (\$50,760), summer school substitute salaries (\$12,000), and health services (\$1,500), based on historical experience.

Department of Special Education—(0.8 FTE)—(\$40,960)—Page 19

- There is a reduction of 0.4 FTE literacy partnership teacher positions at RICA and Mark Twain in keeping with the realignment of these positions in high schools. Other program staff will work with students to improve literacy skills.

Department of Student Services—(\$1,169)—Page 19

- There is a reduction of consulting services in the School Counseling Unit used for staff development programs. Existing staff will assume these duties.

SYSTEMWIDE REALIGNMENTS

Residency Compliance—(\$156,000)—Page 20

- Expansion of the successful residency compliance program is expected to reduce unauthorized enrollment and therefore the need for staff positions and other expenditures. For FY 2005, the program will require proof of residency for students entering Grade 9. It is estimated that this program will reduce enrollment by 100 students, thereby permitting a reduction of 5.0 classroom teacher positions at a savings of \$206,000. The budget adds \$50,000 in supporting services part-time salaries to provide schools with support to ensure compliance with residency regulations. The program will expand the following year to include students transitioning from elementary to middle school.

Employee Benefits —(\$521,930)

- Reductions in employee benefits costs associated with the realignments described above total \$521,930.

OTHER PROGRAM REALIGNMENTS

Community and Family Partnerships—Page 20

- Resources of the Community and Family Partnerships Unit are realigned for FY 2005. The reorganized unit will report to the associate superintendent of the Office of Curriculum and Instructional Programs (OCIP). This includes 18.0 FTE and \$1,337,798. The new office will have primary responsibility for coordinating activities to encourage parent involvement with a focus on instructional issues. Resources available from the realignment also will create 2.0 instructional specialist positions to focus on parent involvement programs.
- There is a realignment of 3.0 positions and \$237,521 to the Office of School Performance (OSP). These positions will focus on support of principals and school staffs in investigating and resolving human relations issues in schools. They also will assist other MCPS units in human relations concerns. The Office of the Chief Operating Officer (OCOO) will supervise this staff in formal appeals involving human relations issues.
- The Montgomery County Business Roundtable for Education (MCBRE) will assume other functions formerly with this unit, including Study Circles. The Summer Search program will be administered by the Community and Family Partnerships unit in the Office of Curriculum and Instructional Programs. MCBRE will retain sufficient resources to implement these programs.

Title I

- There is a realignment of \$750,000 in federal grant funds under Title I as required by law to provide supplemental education services (SES) for FARMS-eligible students in selected schools in need of improvement. Parents will select these services from a variety of available options.

MCS:vnb

Copy to:
Executive Staff



CC
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MONTGOMERY COUNTY PUBLIC SCHOOLS
MARYLAND

www.montgomeryschoolsmd.org

September 19, 2006

Mr. Steven Farber, Staff Director
Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

Dear Mr. Farber:

The County Council has requested information regarding productivity initiatives implemented by county agencies in FY 2006 and FY 2007 or planned for FY 2008. These include improvements that reduce costs or staff time without reducing services.

Montgomery County Public Schools (MCPS) has worked for many years to increase productivity as a way of directing the maximum amount of resources to classroom instruction. The school system is recognized nationally as a model for productivity improvement. Following is a brief description of some of the ways in which specific productivity initiatives are saving money or permitting the system to redirect resources to the classroom. MCPS will continue to make progress toward improved productivity as part of the development of the FY 2008 Operating Budget.

Strategic Plan

The MCPS strategic plan: *Our Call to Action: Pursuit of Excellence* provides the basis for maximizing the effectiveness of all available budget resources. It sets clear goals, strategies, measures, and targets to hold the school system accountable for student success. Guided by the strategic plan, MCPS has pursued very consistent goals since the *Call to Action* was adopted by the Board of Education in November 1989. The plan and its improvement strategies have been updated by the Board each year, but the plan has not fundamentally changed. An emphasis on rigorous curriculum, improvement in staff capacity to deliver instruction, standards-based student assessment, concentration on improving academic achievement of students who face obstacles to learning, and the improvement of organizational efficiency have marked a steady and consistent approach for the past seven years. This consistency avoids wasting resources on new priorities or initiatives that are not aligned with the plan's goals.

The plan is reviewed annually through an extensive program of public outreach to help parents and the community to understand the strategic plan and its budget priorities. This outreach effort permits the steady course corrections needed to maintain any strategic plan as a living document. In FY 2007, for example, the budget reflected an increased emphasis on improving translation services for non-English speaking parents, an initiative that resulted in part from parent feedback.

Office of the Chief Operating Officer

850 Hungerford Drive, Room 149 ♦ Rockville, Maryland 20850 ♦ 301-279-3626

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The *Annual Report on Our Call to Action* summarizes the work that has been done to measure program outcomes. This report is aligned with the goals of the strategic plan. It provides a comprehensive review of the school system's performance on the milestones and data points of the strategic plan. This data summarizes the effectiveness of many of the strategies of the strategic plan. Holding the school system accountable for specific results helps ensure the productive use of resources.

Baldrige Education Criteria for Performance Excellence

The Montgomery County Public Schools (MCPS) has adopted the Baldrige Education Criteria for Performance Excellence as the model for continuous improvement for all offices and schools. The current school improvement process has been redesigned to reflect the components of the Baldrige Education Criteria for Performance Excellence, and leadership teams from all 199 schools have been trained using the new school improvement process. The goal of this initiative is to identify the elements of school improvement and organizational development that must be supported in every school in order to promote high levels of student achievement. Schools are expected to implement the school improvement plan model using the "Look Fors" from the Framework for Improving Teaching and Learning and the Baldrige Education Criteria for Performance Excellence. In order for this process to be successful, the entire staff and representatives from all stakeholder groups must be engaged. The progress on school improvement plan goals will be evaluated regularly with all stakeholders.

Three Baldrige Quality Academies have been established to provide training for teachers to move Baldrige into their classrooms. Informally, teachers have remarked how much more efficient their classrooms are because they are more focused and data driven. They also comment about the students being more engaged in developing good classroom learning systems and taking more responsibility for their learning. Students in many of our schools are responsible for tracking their own performance data using a data notebook. The data notebooks are shared with parents on a regular basis. Approximately 3,000 teachers visited the Baldrige Quality Academies during the 2005–2006 school year. Exit cards were used to determine levels of participant satisfaction with the academy experience. Ninety-eight percent of the respondents indicated they were very satisfied with the experience.

A survey of community superintendents and directors of school performance indicated that 93 percent of the respondents agreed that the school improvement plans, using the Baldrige Criteria, are more focused than plans submitted previously not using the criteria. Eighty-seven percent of the respondents agreed that schools conduct quarterly school improvement plan reviews to determine the school's progress in meeting their goals. In addition, respondents indicated a range of 80 to 100 percent describing the number of schools in their quad clusters that are implementing the Baldrige Basics in the Baldrige Principal's Handbook.

In March 2005, MCPS was named the winner of the state's most prestigious award for organizational performance excellence which is based on the Baldrige Education Criteria for

Performance Excellence—the U.S. Senate Productivity and Maryland Quality Award.

Enclosed is the application for the 2006 Malcolm Baldrige National Quality Award which describes the processes we are using to become a more effective organization. In addition, the application contains more than seventy-five performance measures which show significant progress in all areas.

Maryland Tax Education Foundation Study

In 2005, the Maryland Tax Education Foundation, an independent think tank, published a report on school spending in Montgomery County compared to ten similar counties in Maryland and other states. Its primary conclusion labeled MCPS as a “relative bargain.” The report concluded, “Compared to similar affluent counties in Connecticut, New Jersey and New York, the Montgomery County Public School System (MCPS) delivers better SAT scores at a lower per pupil cost. This comparison holds even after factoring in regional cost-of-living differentials. When compared to similar counties, Montgomery County is more efficient than most in terms of producing high SAT scores. In short, citizens of Montgomery County get more for their money in terms of education than citizens of comparable counties in New York, New Jersey, and Connecticut. Montgomery County spends less and performs better.” This shows that an independent study group, in a pioneering review of comparable school districts, concluded that MCPS is the most productive when compared to similar districts in terms of student results. The report noted that Fairfax County has slightly higher SAT scores and spends about the same as Montgomery County, but noted that “Fairfax has fewer minorities in its student population.”

Performance Measurement

One of the most challenging tasks in budgeting is to link resource allocations to performance measures. The County Council, as well as the agencies, has struggled with how to implement this link. This is called performance budgeting. There is no simple way to determine priorities based on performance measures alone. Performance measures work best when they are the starting point of an analytical process aimed at improving performance and aligning budget resources to long-term priorities and strategies.

Zero-based Budgeting

To achieve this alignment, MCPS has instituted a system of zero-based budgeting based in specific projects, functions, and activities within each office. This is sometimes called activity-based budgeting. The bottom line—budget decisions are data-driven. Linked to performance measures, this system allows managers to identify priorities and realign resources to programs that are the most effective. During the last six years, MCPS has used this approach to make a total of \$82 million in reductions in budget requests, including \$59.5 million reduced from existing resources. These reductions have provided much of the funding needed for improvement initiatives over that time.

The operating budget includes performance measures for all operating units. In most cases, these performance measures include outcome measures related to the mission of the unit. The measures included in the operating budget represent only a fraction of the total data gathered by individual units. Most measures are used primarily as operational tools to monitor and improve the performance of the organizational unit. In addition to effectiveness indicators, operational measures include efficiency, customer focus, and outcome measures. These measures are a tool to improve productivity.

Value Stream Mapping—Process Improvement Strategies

Through the Montgomery County Business Roundtable for Education (MCBRE), MCPS has benefited from valuable training in process improvement strategies. In April 2005, a team of two facilitators from Lockheed Martin's LM21 program trained and conducted a four-day Value Stream Mapping (VSM) process with the Division of Maintenance. The VSM technique is a tool used in industry to identify and eliminate waste in manufacturing and business processes.

The Maintenance VSM event identified ten projects to improve the current maintenance work order system. Improvement activities are progressing, including upgrading the work order computer system, creating an asset database for installed equipment, and training building service managers in work order system improvements.

In August 2005, Lockheed Martin staff provided a day and a half training session on process improvement methods to the Office of the Chief Operating Officer to acquaint department and division directors and their staff on the benefits of driving waste out of MCPS business processes. Since August, Lockheed Martin through MCBRE has invited and paid for two MCPS staff to be trained as part of its Lean/Six Sigma "Greenbelt" training program. The two MCPS staff members conducted two VSM process improvement projects with departments and divisions in the Office of the Chief Operating Officer in FY 2006—one on the routing of Special Education busses, and another on the ordering of instructional materials. Additional projects have been initiated this year in the Department of Shared Accountability and the Office of Human Resources.

Process Design and Improvement Process

MCPS uses a systematic method called Process Design and Improvement Process (PDIP) to improve the overall operational performance of key support processes (See enclosed chart). PDIP establishes the structure for determining key requirements; integrates feedback from customers, suppliers, unions, and stakeholders; provides the mechanism for agility; maintains focus on organizational performance results; decreases waste and increases customer value; and improves efficiency and effectiveness through innovation and management by data. This systematic process incorporates Plan-Do-Study-Act (PDSA) with Value Stream Mapping to create a model for improving existing processes and the design of new processes. For example, the procedures for

ordering instructional materials were analyzed using the Value Stream Mapping process. After mapping the current state and developing the future state, a plan to improve the process in obtaining materials reduced cycle time by 70 percent, touch time by 83 percent, and the number of process steps by 47 percent. The process from identifying an instructional material to final delivery of materials was improved significantly through the use of Value Stream Mapping.

A major component of PDIP is process adjustment through the review and analysis of rework, errors, and audit/inspection results with the objective of preventing reoccurrence of similar transactions in the future. Each year, the Montgomery County Health Department conducts health inspections in all school cafeteria operations. In FY 2004, MCPS received 15 violations related to inappropriate temperature of foods. Using the PDIP process, a Food and Nutrition Services Action Team was established that identified the causes of these violations and developed an improvement strategy that was communicated to cafeteria staff through food-safety training in-service meetings. The result was a 60 percent reduction of food temperature-related violations by FY 2006.

To encourage organizational learning and innovation, process improvements are communicated during monthly administrator meetings, and by articles in *The Bulletin* and on Web sites. As an example, the Materials Management Web site is designed around the concept of a "Service City" where each function is represented as a store. Customers enter the store icon to receive updated news about products, programs, and services that support instructional learning.

Office of Information and Organizational Systems

Centralized Management of Desktops

MCPS has implemented enterprise-wide, desktop management software that facilitates the remote management of computers in schools and offices. This remote desktop management solution reduces the number of on-site visits that are required by technology support staff. As a result, new software can be pushed to the over 40,000 computers across the school system. This includes software version updates, virus protection, and operating system updates. This software investment will result in more timely services to schools as well as reducing staff time or avoiding the cost of part-time or contractual support that was needed in the past to perform updates and/or resolve problems on a computer-by-computer basis. Utilization of this desktop management software is possible because MCPS had previously standardized on a single platform for desktop hardware and on a small number of software applications.

Transition to FiberNet

By June of 2007, all high schools and middle schools will have migrated from T-1 network connections to FiberNet connections. There are two advantages for MCPS from this transition. The first benefit is reduced telecommunication costs—each FiberNet connection costs \$75 per month compared to the \$356 per month cost of a T-1 network connection. Secondly, the level of access is dramatically better—each FiberNet connection provides 10 mbps of bandwidth

compared to 1.5 mbps for a T-1 connection. Elementary schools are projected to transition from T-1 network connections to FiberNet by the end of FY 2009 (assuming continued funding of the FiberNet project).

Multi-year Contracting for Internet Services

Using the competitive bidding process and on-line communication of the availability of Requests for Proposals, MCPS has secured a very favorable multi-year agreement (predicated on annual appropriation approval) for an Internet service provider (ISP). Beginning in FY 2007, MCPS costs for Internet services are less than half the rates that were paid in the past. Annual costs for the next three years are contracted at \$60,000 compared to the \$138,000 per year in Internet service costs paid for the previous four years. In addition, the cost savings also provide increased bandwidth access. The three year contract being implemented will provide 500 mbps of bandwidth compared to the 28 mbps provided in the past. This additional bandwidth is an important resource for teachers and students to use a variety of media and data to support teaching and learning.

Web Publishing of Reporting and Accountability Documents

The Department of Reporting and Regulatory Accountability (DRRA) is reducing publication costs by placing more information on the Web and producing fewer hard copies. DRRA has moved away from hard copy publications and towards Web-based publications in the following areas:

- Hard copy production of *MCPS Schools at a Glance* has been reduced from 1500 to 850
- Hard copy production of *MCPS Policies and Regulations Handbooks* have been reduced by 15% (700 to 600 copies)
- Printed copies of MCPS forms have been reduced as more forms have been made available online (317 out of 1081)

Technology-enhanced Assessments

The Technology for Curriculum Mastery (TCM) initiative includes formative assessments in reading that are administered electronically to improve the process and accuracy of providing diagnostic information to teachers and principals. The TCM provides teachers with effective resources to improve their classroom instructional practices, support the curriculum, and strengthen parental involvement and accountability. Using technology-facilitated assessments eliminates the need for teachers to score each student's assessment, perform computations, and transfer the scores onto individual student information sheets and classroom summary sheets. In essence, the repetitive tasks (administering, scoring, and recording assessment data) that are simple to do but take time are eliminated. The Montgomery County Public Schools Assessment Program—Primary Reading (MCPSAP—PR), the Measure of Academic Progress—Reading

(MAP-R) and Achievement Series—Algebra and Grades 9 and 10 English are examples of assessments currently being delivered to students using technology as part of the TCM program.

Professional Development

MCPS implemented a comprehensive, centralized professional development management system for maintaining, tracking, monitoring, and reporting professional development information for all staff. This new system provides staff with information and tools to manage professional growth and provides the MCPS with a mechanism for aligning the training with staff needs and ultimately correlates professional development with student data. The professional development management system simplifies key administrative processes (course management, course registration, attendance monitoring) and integrates with the Human Resources Information System to streamline tuition reimbursement, and substitute and stipend payment.

ConnectED

The implementation of ConnectED, an electronic voice message delivery system provides school-based and designated central services administrators with the ability to distribute important messages to parents and staff. This system enhances ability of MCPS staff to customize and target emergency notifications to specific school communities. It also enables the MCPS to reach staff for key announcements and communications. The system supports the distribution of messages in a variety of languages and to multiple telephone numbers designated by parents/guardians and staff members. Implementation of this system has provided a unified systemwide process for the distribution of key communications.

Department of Communications

The Department of Communications has implemented numerous productivity enhancements to improve communications with parents and the community. The staff efforts have centered on improving the timeliness and quality of communications to provide useful information to parents and stakeholders. The department staff also is providing more user-friendly information in shorter formats. In addition, the MCPS Web site is frequently updated to provide current content in a reader-friendly format.

MCPS QuickNotes

The Public Information Office launched the MCPS QuickNotes e-mail news service in fall 2005 to provide parents and community members with useful information about the school system, including weather-related closures. The service, available in six languages, offers a monthly e-mail newsletter with “news you can use” items for parents on a variety of topics. In addition, subscribers to the free service can choose different topics of interest and periodically receive individual e-mails on those topics. For example, families can choose to receive school lunch menus, information about early childhood programs, or information about accelerated academic

programs, just to name a few. MCPS QuickNotes also offers weather alerts to provide subscribers with instant notification of weather-related delays and closures as soon as a decision is made.

MCPS Call Center

To provide parents and the community with an instant information resource, the MCPS Public Information Office operates a Call Center from 8 a.m. to 6 p.m., Monday through Friday. The Call Center handles calls in both English and Spanish and answers questions on a multitude of topics, including enrollment, transportation, calendar dates, and school closings. The Call Center also is able to connect speakers of other languages with personnel to assist them in their language. This service, which was contracted out for the first two years of operation, was brought in house this year. This has resulted in budget savings as well as additional support for other activities in the Public Information Office.

Copy-Plus

In FY 2007, a new support service program, Copy-Plus, was implemented to reduce the burden on school-based staff of preparing document copies for classroom instruction, homework materials, and assessments. The service gives schools delivery of requested print documents within 48 hours. Performance measurement of success for this program is the amount of school staff time that can be transferred from administrative to instructional. For every 3,000 copies published through Copy-Plus, it is estimated that one hour of administrative task time is saved by school staff. Our FY 2007 goal of 40 million copies would increase available time for school-based staff to focus on instructionally-related activities to over 13,000 hours.

Department of Financial Services

Document Imaging

The Department of Financial Services, which consists of the Controller's Office and the Employee and Retiree Service Center (ERSC), implemented a document imaging system late in FY 2005. Since that time, all accounts payable invoices have been scanned and processed using the electronic workflow of the system. This has improved the timeliness of vendor payments, provided baseline performance measurement data relating to time to pay invoices, and improved customer service to schools and departments. In ERSC, all newly hired employee benefit and payroll files have been imaged, improving customer service through faster retrieval of employee forms, and reducing storage needs and employee handling time.

Call Tracking

ERSC implemented a telephone call tracking system on July 1, 2005. This system permits the documentation of employee calls and resolution, improving customer service and data gathering.

The system tracked over 50,000 individual issues during FY 2006. The data on caller demographics and subject matter is being analyzed for use in targeted communications and other proactive efforts.

Department of Materials Management

Customer Focus Groups

The Department of Materials Management (DMM) has established the Customer Feedback Focus Group program to provide a forum for school staff to give opinions on products, services, and best practices. Customer focus groups are designed to continually listen and learn with the aim of offering relevant products and services, understanding emerging customer requirements and expectations, and keeping pace with educational changes and ways of doing business. Through focus groups, causes of complaints are determined using root cause analysis that effectively improves products, services, and processes. This practice has been the impetus for improving customer service through development of programs designed to remove administrative tasks from schools allowing instructional staff to concentrate on teaching students.

On-line ordering

A cost analysis of purchase orders found that a paper purchase order costs approximately \$175 to process manually. In order to reduce these costs the procedure has been streamlined and orders are being sent electronically to the vendors saving paper, postage, and processing costs. Currently 80 percent of purchase transactions are electronic. In FY 2008, the implementation of the new financial system will complete the goal of having 100 percent of procurement activities processed electronically.

Purchase Cards

The MCPS Purchasing Card Program has been established to streamline the process for making low dollar purchases that are necessary to MCPS operations. The Purchasing Card Program was established to save MCPS time and money. By allowing the bank and merchants to process most of the paperwork, MCPS eliminates the need to issue several thousand purchase orders, reduces the number of invoices to be processed, and reduces the issuance of thousands of small dollar value checks and personal reimbursements. It helps schools and offices obtain small dollar value items in a more efficient and cost effective manner. Vendors benefit as well by a reduction in paperwork and an improved payment cycle for invoices. Currently this program has reduced the need for over 5,000 purchase orders in fiscal year 2006 with an estimated administrative efficiency to MCPS of over \$75,000.

Division of Food and Nutrition Services

The Division of Food and Nutrition Services (DFNS) conducts in-depth labor analysis by individual school. As a result, in FY 2006, 14.0 manager and worker FTEs were reduced. For FY 2007, only 3.75 FTEs were added, a very modest increase considering we are staffing for 5 new schools, all day kindergarten in 31 new schools, and 6 additional Maryland Meals for Achievement programs.

Department of TransportationValue Stream Mapping Project

A collaborative effort was made between the Department of Transportation and the Department of Special Education along with other stakeholders to analyze the steps needed to initiate transportation services for students attending special education programs through use of the Value Stream Mapping Process. The goals of this effort included improved data quality, improved communications, and reduced time for processing requests. Twelve "Get to Excellence" tasks were identified for ongoing and future improvements. Some of these, such as "mirroring routes" (transporting students with high needs on the same morning and afternoon bus) have already begun to be implemented, and work continues to implement other initiatives.

Route Reviews

During the school year, first-line supervisors were required to conduct an in-depth analysis of school bus utilization in their clusters. Supervisors then met with department managers to present, discuss, and develop efficiency plans to better utilize buses. As a result, buses were moved from areas of declining enrolment to areas of growth and routes were streamlined to provide improved operating efficiency.

Department of Facilities ManagementImplementation of Systematic Team Cleaning

The Division of School Plant Operations undertook a process improvement study of the daily cleaning process. As a result of this study, a systematic team approach to the daily cleaning process was found to be a more efficient method than current practices. The Systematic Team Cleaning (STC) process is a methodical, organized approach to cleaning that focuses on productivity. Use of certified supplies and equipment and time tested procedures ensure that consistently healthy, high performance cleaning is performed in a way that maximizes the use of time, steps, motion, materials, supplies, and equipment. STC improves security and saves energy because classrooms are secured and lights turned off in a systematic manner. STC creates work efficiencies that enable existing building services staff to complete all prescribed cleaning tasks more effectively and reduce substitute costs for extended staff leave/vacancies. The

increased efficiencies also allow existing staff to handle additional duties, such as life safety inspections mandated by the fire marshal and indoor air quality preventative maintenance activities. This process improvement has been implemented in approximately 65 percent of our schools with complete implementation expected in 2007.

Healthy, High Performance Cleaning (HHPC)

The Division of School Plant Operations has developed a Healthy High Performance Cleaning Program (Green Cleaning) that will begin at two elementary schools in September 2006. The HHPC program focuses on creating a facility environment that focuses on student and staff health. The program uses concentrated, Green Seal certified products, Systematic Team Cleaning Processes, ergonomically designed and Carpet and Rug Institute Green certified equipment with micro-fiber technology. This is expected to have a positive impact on attendance, productivity, supply and equipment costs, effectiveness and longevity of mechanical systems, and air quality.

Energy Conservation Initiatives

The rapid increases in energy prices further highlights the opportunities for cost avoidance through energy conservation. The Energy Resource Team, in collaboration with Montgomery County Association of Administrative & Supervisory Personnel (MCAASP) representatives, developed a list of possible energy conservation measures. The Energy Resource Team has developed implementation plans for each of the approved measures and is currently implementing several of these measures. The following table provides a description of the energy measures, the potential savings and costs, and the status of implementation.

Name	Description	Savings Potential	Cost	Implementation/Status
EXTERIOR LIGHTING CONTROLS	Replace mechanical clock control for exterior lights with digital time clocks. Controls will be programmed to turn lights off in accordance with conservation policy guidelines.	\$770,000 annually	\$152,000 one time investment	Time clocks will be purchased and installed by Division of Maintenance personnel. The estimated cost will be less than estimated initially due to lower labor cost. Materials have been ordered and work will start on secondary schools first since those facilities offer the largest savings opportunities.


RELAMP EXISTING LIGHTING FIXTURES	Replace all existing 32 watt T8 lamps with 25 watt long life high efficiency lamps.	\$1,285,200 annually with estimated lamp life between 4- 5 years	\$2,244,000 one time investment for each life cycle of bulb replacement	A Maryland Energy Administration CELP loan has been approved to fund the initial investment cost. The loan will be amortized at 2% interest with program savings. The new lamps will be installed by building service and student teams at schools that are part of the Green Schools Programs. All other schools will either be installed by the building service staff or through using teams from the Youth Conservation Corps. Fifteen schools have received pilot installations of these lamps.
THERMOSTAT CALIBRATIONS	Establish annual preventative maintenance program to ensure thermostatic control devices are properly calibrated and set for heating/cooling guidelines established by BOE policy. This program will have an added benefit of reducing uneven classroom temperatures and increasing student/teacher comfort.	\$900,000 annually	\$413,333 annually	This measure was initially proposed to be implemented using outside contractors. However, because of the on-going effort, in-house staff appears to be a more cost effective approach to the implementation. A management plan is being developed to add this initiative to the responsibilities of the Energy Management Unit.

TASK LIGHTING Computer labs	Most computer labs are grossly over illuminated. Initiative will provide indirect floor light fixtures that can be used in lieu of classroom fixtures. This initiative has the added benefit of providing better lighting for computer lab applications.	\$266,667 annually	\$213,333 one time investment	The lighting fixtures are being encouraged through SERT program planning and allocated based on individual school requests.
TASK LIGHTING - Classrooms	Provide teachers with fluorescent desk lamps so that overhead lights can be turned off when room is not being used for teaching.	\$460,000 annually	\$250,000 one time investment	The fixtures cost \$7. They are being encouraged through SERT program planning and allocated based on individual school requests. Schools are also being encouraged to purchase the fixtures with SERT awards and use for other school purposes.
UNPLUG WATER COOLERS	Unplug water coolers except when needed during warm months. This initiative has a potential savings of \$30,000 annually and the practice is being promoted as part of individual school SERT planning.	\$30,000		Ongoing

In addition to the productivity measures described above, MCPS units have implemented many other measures to increase savings as part of their strategic plans. These improvements have reduced unit costs for services as measured through unit performance measures. Productivity improvement has improved the quality of services to parents and other stakeholders without increasing costs, often through the effective use of technology. MCPS staff will continue to identify and implement productivity improvements and report them to members of the Board of Education and the County Council.

Please let me know if I can provide any other information.

Sincerely,

A handwritten signature in cursive script, reading "Larry A. Bowers".

Larry A. Bowers
Chief Operating Officer

LAB:hls

Enclosures

Copy to:

Members of the Board of Education
Executive Staff

